Mbizana Local Municipality
Financial statements
for the year ended 30 June 2015

General Information

Nature of business and principal activities	Mbizana Local Municipality provides the following services:
	Electricity
	Solid waste
Mayoral committee	
Mayor	M.M.Twabu
Speaker	T.D Mafumbatha
Chief Whip	A. Maquthu
	L. Makholosa
Executive Committee	
	W.A Hlangabezo
	D.D Mnisi
	N. Giyama-Bongwana
	E.F Matekana
	N. Msokana
	F. Siramza
	S. Magini
	N. Mbadlanyana
Councillors	N. Kwelemtini
	F. Mbuyelwa
	L. Nojila
	B. Matshoba
	V.T. Mbele
	S. Godi
	P. Booi
	T. Somadlangathi
	F.P. Mjoli
	S. Faku
	Z. Mhlwazi
	N. Madikizela
	N. Mbewu
	L.G. Mcambalala
	S.M. Thukwana
	R.T. Nkomo
	H.M. Nonqane
	T. Maphasa
	W.M. Diya
	M. Xesibe
	P.V. Ndovela
	N. Hlebo
	N.B. Mteki
	A.I. Guqaza
	M.J. Dimane
	B.A. Jalubane
	N. Sibutha
	T. Faku
	T. Mlomo

General Information

	Z.P. Ndebele S. Ngonini N.E. Cengimbo H.M. Mpukwana A.R. Ngubo N. Dlamini N. Mafuya N. Stata J.N. Madikizela P. Mfingwana N.N. Mhlelembana K. Ndzinya R.N. Madikizela Z.W. Mqokolwana T.H. Kango M.J. Ndesi I.M. Sabuka N.Madikizela N. Magqabi N. Sikibi
Grading of local authority	Grade 3 Medium capacity
Accounting Officer	Mr L. Mahlaka
Chief Finance Officer (CFO)	Mr B. Fikeni
Registered office	51 Main Street Bizana 4800
Business address	51 Main Street Bizana 4800
Postal address	P.O. Box 12 Bizana 4800
Bankers	First National Bank
Auditors	Auditor General of South Africa Registered Auditors
Attorneys	Le Roux Inc Jafta Incorporated Mbabane and Sokutu Inc N.Z. Mtshabe Incorporated Ndobela and Lamola Attorneys Vuyani Gwebindlala Ltd Magigaba Incorporated Ngcaweni Shabalala Incorporated Attorney Prenisha Sugudhav-Sewpersadh Credit Intelligence Pty Limited

Mbizana Local Municipality

Financial Statements for the year ended 30 June 2015

The reports and statements set out below compares the financial statements presented to the council:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practise
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
LED	Local Economic Development
IDP	Integrated Development Programme

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements.

The financial statements set out on pages 5 to 69, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on its behalf by:

Mr L Mahlaka
Accounting Officer

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Other receivables from exchange transactions	9	3,027,250	2,804,827
Receivables from non-exchange transactions	10	9,037,462	6,481,048
Receivables from exchange transactions	12	3,606,275	3,723,429
VAT receivable	11	11,387,165	4,960,091
Cash and cash equivalents	13	85,835,080	126,152,442
Inventories	8	866,905	956,800
Prepayments	7	7,590,981	1,191,113
Operating lease asset	6	1,593,160	1,719,697
		122,944,278	**147,989,447**
Non-Current Assets			
Investment property	3	6,355,900	6,355,900
Property, plant and equipment and Intangible assets	4	585,216,321	509,490,629
Intangible assets	5	-	5,269
		591,572,221	**515,851,798**
Non-Current Assets		591,572,221	515,851,798
Current Assets		122,944,278	147,989,447
Total Assets		**714,516,499**	**663,841,245**
Liabilities			
Current Liabilities			
Provisions	15	1,630,592	202,719
Payables from exchange transactions	17	45,982,169	36,102,834
Consumer deposits	18	433,546	420,337
Unspent conditional grants and receipts	14	5,025,446	3,032,048
DBSA Loan	16	8,983,083	-
		62,054,836	**39,757,938**
Non-Current Liabilities			
Provisions	15	6,722,963	5,591,594
Non-Current Liabilities		6,722,963	5,591,594
Current Liabilities		62,054,836	39,757,938
Total Liabilities		**68,777,799**	**45,349,532**
Assets		714,516,499	663,841,245
Liabilities		(68,777,799)	(45,349,532)
Net Assets		**645,738,700**	**618,491,713**
Accumulated surplus		645,738,700	618,491,713

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	19,094,994	18,380,634
Rental of facilities and equipment	25	608,943	809,070
Licences and permits		1,823,312	1,756,005
Other income	24	686,397	1,907,559
Interest received	23	8,587,489	6,213,348
Total revenue from exchange transactions		**30,801,135**	**29,066,616**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	15,554,208	9,974,852
Transfer revenue			
Government grants & subsidies	22	219,287,543	195,973,502
Fines, Penalties and Forfeits		1,270,526	630,060
Total revenue from non-exchange transactions		**236,112,277**	**206,578,414**
		30,801,135	29,066,616
		236,112,277	206,578,414
Total revenue	19	**266,913,412**	**235,645,030**
Expenditure			
Employee related costs	27	(59,408,286)	(47,931,178)
Remuneration of councillors	27	(17,895,440)	(15,909,677)
Depreciation and amortisation	29	(37,830,269)	(32,806,842)
Finance costs	30	(455,946)	(464,967)
Debt Impairment	28	(2,574,736)	(3,070,843)
Repairs and maintenance		(3,594,979)	(863,581)
Bulk purchases	33	(22,309,542)	(20,811,676)
Grants related expenditure	32	(17,804,716)	(4,955,193)
General Expenses	26	(77,010,472)	(56,722,784)
Total expenditure		**(238,884,386)**	**(183,536,741)**
		-	-
Total revenue		266,913,412	235,645,030
Total expenditure		(238,884,386)	(183,536,741)
Operating surplus		**28,029,026**	**52,108,289**
Surplus before taxation		28,029,026	52,108,289
Taxation		-	-
Surplus for the year		**28,029,026**	**52,108,289**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2013	**357,741,194**	**357,741,194**
Changes due to reconstructed asset register	222,316,682	222,316,682
Prior period errors	(13,674,452)	(13,674,452)
Net income (losses) recognised directly in net assets	208,642,230	208,642,230
Surplus for the year	52,108,289	52,108,289
Total recognised income and expenses for the year	260,750,519	260,750,519
Total changes	260,750,519	260,750,519
Restated balance at 30 June 2014	618,491,714	618,491,714
Balance at 01 July 2014 as restated*	**618,491,714**	**618,491,714**
Movements in accumulated surplus	(782,040)	(782,040)
Net income (losses) recognised directly in net assets	(782,040)	(782,040)
Defeceit for the year	28,029,026	28,029,026
Total recognised income and expenses for the year	27,246,986	27,246,986
Total changes	27,246,986	27,246,986
Balance at 30 June 2015	**645,738,700**	**645,738,700**

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		30,076,160	24,958,347
Grants		221,280,941	205,493,743
Interest income		8,587,489	6,213,348
		259,944,590	236,665,438
Payments			
Employee costs		(77,303,726)	(67,483,736)
Suppliers		(108,583,503)	(25,128,344)
Finance costs		(455,946)	(464,967)
		(186,343,175)	(93,077,047)
Total receipts		259,944,590	236,665,438
Total payments		(186,343,175)	(93,077,047)
Net cash flows from operating activities	34	**73,601,415**	**143,588,391**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	4	(123,879,928)	(134,954,672)
Proceeds from sale of property, plant and equipment and intangible assets	4	978,068	-
Net cash flows from investing activities		**(122,901,860)**	**(134,954,672)**
Cash flows from financing activities			
Movement in other liability		8,983,083	-
Net increase/(decrease) in cash and cash equivalents		**(40,317,362)**	**8,633,719**
Cash and cash equivalents at the beginning of the year		126,152,442	117,518,723
Cash and cash equivalents at the end of the year	13	**85,835,080**	**126,152,442**

Mbizana Local Municipality
Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	34,538,776	(12,615,643)	21,923,133	19,094,994	(2,828,139)	Appendix E(1)
Rental of facilities and equipment	729,107	50,000	779,107	608,943	(170,164)	Appendix E(1)
Licences and permits	2,333,303	-	2,333,303	1,823,312	(509,991)	Appendix E(1)
Other income	97,848,382	36,673,772	134,522,154	686,397	(133,835,757)	Appendix E(1)
Interest received	5,123,610	2,020,000	7,143,610	8,587,489	1,443,879	Appendi E(1)
Total revenue from exchange transactions	**140,573,178**	**26,128,129**	**166,701,307**	**30,801,135**	**(135,900,172)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	15,000,000	-	15,000,000	15,554,208	554,208	Appendix E(1)
Transfer revenue						
Government grants & subsidies	218,539,000	3,395,668	221,934,668	219,287,543	(2,647,125)	Appendix E(1)
Fines, Penalties and Forfeits	527,400	800,000	1,327,400	1,270,526	(56,874)	Appendix E(1)
Total revenue from non-exchange transactions	**234,066,400**	**4,195,668**	**238,262,068**	**236,112,277**	**(2,149,791)**	
'Total revenue from exchange transactions'	140,573,178	26,128,129	166,701,307	30,801,135	(135,900,172)	Appendix E(1)
'Total revenue from non-exchange transactions'	234,066,400	4,195,668	238,262,068	236,112,277	(2,149,791)	Appendix E(1)
Total revenue	**374,639,578**	**30,323,797**	**404,963,375**	**266,913,412**	**(138,049,963)**	
Expenditure						
Personnel	(73,042,316)	6,764,739	(66,277,577)	(59,408,286)	6,869,291	Appendix E(1)
Remuneration of councillors	(18,466,288)	-	(18,466,288)	(17,895,440)	570,848	Appendix E(1)
Depreciation and amortisation	(30,067,523)	-	(30,067,523)	(37,830,269)	(7,762,746)	Appendix E(1)
Finance costs	(1,350,000)	-	(1,350,000)	(455,946)	894,054	Appendix E(1)
Bad debts written off	(4,035,962)	-	(4,035,962)	(2,574,736)	1,461,226	Appendix E(1)
Repairs and maintenance	(20,299,140)	(9,441,000)	(29,740,140)	(3,594,979)	26,145,161	Appendix E(1)
Bulk purchases	(22,152,300)	1,681,612	(20,470,688)	(22,309,542)	(1,838,854)	Appendix E(1)
Transfers and Subsidies	(3,500,000)	-	(3,500,000)	(2,140,815)	1,359,185	Appendix E(1)
General Expenses	(235,619,104)	(29,539,507)	(265,158,611)	(92,674,373)	172,484,238	Appendix E(1)
Total expenditure	**(408,532,633)**	**(30,534,156)**	**(439,066,789)**	**(238,884,386)**	**200,182,403**	
	(33,893,055)	(210,359)	(34,103,414)	28,029,026	62,132,440	Appendix E(1)
	-	-	-	-	-	Appendix E(1)
Surplus before taxation	**(33,893,055)**	**(210,359)**	**(34,103,414)**	**28,029,026**	**62,132,440**	

Mbizana Local Municipality

Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	346,745	-	346,745	866,905	520,160	Appendix E (1)
Operating lease asset	1,495,209	-	1,495,209	1,593,160	97,951	Appendix E (1)
Other receivables from exchange transactions	-	-	-	3,027,251	3,027,251	Appendix E (1)
Receivables from non-exchange transactions	-	-	-	9,037,462	9,037,462	Appendix E (1)
VAT receivable	-	-	-	11,387,165	11,387,165	Appendix E (1)
Prepayments	-	-	-	7,590,981	7,590,981	Appendix E (1)
Consumer debtors	9,598,618	-	9,598,618	3,606,275	(5,992,343)	
Other debtors	2,881,846	-	2,881,846	-	(2,881,846)	Appendix E (1)
Cash and cash equivalents	57,184,383	(36,969,900)	20,214,483	85,835,080	65,620,597	Appendix E (1)
	71,506,801	**(36,969,900)**	**34,536,901**	**122,944,279**	**88,407,378**	
Non-Current Assets						
Investment property	5,544,292	-	5,544,292	6,355,900	811,608	Appendix E (1)
Property, plant and equipment and Intangible assets	446,240,670	15,920,570	462,161,240	585,216,321	123,055,081	Appendix E (1)
	451,784,962	**15,920,570**	**467,705,532**	**591,572,221**	**123,866,689**	
Non-Current Assets	71,506,801	(36,969,900)	34,536,901	122,944,279	88,407,378	Appendix E(1)
Current Assets	451,784,962	15,920,570	467,705,532	591,572,221	123,866,689	Appendix E(1)
Total Assets	**523,291,763**	**(21,049,330)**	**502,242,433**	**714,516,500**	**212,274,067**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	328,413	-	328,413	45,982,169	45,653,756	Appendix E (1)
Consumer deposits	402,726	-	402,726	433,546	30,820	Appendix E (1)
Unspent conditional grants and receipts	-	-	-	5,025,446	5,025,446	Appendix E (1)
Provisions	5,678,755	-	5,678,755	1,630,592	(4,048,163)	Appendix E (1)
DBSA Loan	-	-	-	8,983,083	8,983,083	
	6,409,894	**-**	**6,409,894**	**62,054,836**	**55,644,942**	
Non-Current Liabilities						
Provisions	-	-	-	6,722,963	6,722,963	Appendix E (1)
Borrowing	57,552,289	-	57,552,289	-	(57,552,289)	Appendix E (1)
	57,552,289	**-**	**57,552,289**	**6,722,963**	**(50,829,326)**	
	6,409,894	-	6,409,894	62,054,836	55,644,942	Appendix E(1)
	57,552,289	-	57,552,289	6,722,963	(50,829,326)	Appendix E(1)
	-	-	-	-	-	
Total Liabilities	**63,962,183**	**-**	**63,962,183**	**68,777,799**	**4,815,616**	
Assets	523,291,763	(21,049,330)	502,242,433	714,516,500	212,274,067	Appendix E(1)
Liabilities	(63,962,183)	-	(63,962,183)	(68,777,799)	(4,815,616)	Appendix E(1)
Net Assets	**459,329,580**	**(21,049,330)**	**438,280,250**	**645,738,701**	**207,458,451**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Reserves	55,434,000	(36,970,000)	18,464,000	-	(18,464,000)	Appendix E (1)
Accumulated surplus	403,895,580	15,920,670	419,816,250	645,738,701	225,922,451	Appendix E (1)
Total Net Assets	**459,329,580**	**(21,049,330)**	**438,280,250**	**645,738,701**	**207,458,451**	

Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Ratepayers and other	51,067,348	(11,735,643)	39,331,705	30,076,160	(9,255,545)	Appendix E(1)
Government - operating	151,396,600	3,290,200	154,686,800	153,866,389	(820,411)	Appendix E(1)
Interest income	4,433,026	2,020,000	6,453,026	8,587,489	2,134,463	Appendix E(1)
Government - capital	67,142,400	-	67,142,400	67,414,553	272,153	Appendix E(1)
	274,039,374	**(6,425,443)**	**267,613,931**	**259,944,591**	**(7,669,340)**	
Payments						
Employee costs	(91,508,604)	6,764,739	(84,743,865)	(77,303,726)	7,440,139	Appendix E(1)
Suppliers	(110,149,259)	(27,628,050)	(137,777,309)	(108,583,503)	29,193,806	Appendix E (1)
Finance costs	(1,350,000)	-	(1,350,000)	(455,946)	894,054	Appendix E(1)
	(203,007,863)	**(20,863,311)**	**(223,871,174)**	**(186,343,175)**	**37,527,999**	
Total receipts	274,039,374	(6,425,443)	267,613,931	259,944,591	(7,669,340)	Appendix E(1)
Total payments	(203,007,863)	(20,863,311)	(223,871,174)	(186,343,175)	37,527,999	Appendix E(1)
Net cash flows from operating activities	**71,031,511**	**(27,288,754)**	**43,742,757**	**73,601,416**	**29,858,659**	
Cash flows from investing activities						
Capital assets	(171,421,285)	(15,920,570)	(187,341,855)	(123,879,928)	63,461,927	Appendix E(1)
Proceeds from sale of asset	-	-	-	978,068	978,068	
Net cash flows from investing activities	**(171,421,285)**	**(15,920,570)**	**(187,341,855)**	**(122,901,860)**	**64,439,995**	
Cash flows from financing activities						
Borrowing long term/refinancing	45,000,000	-	45,000,000	8,983,083	(36,016,917)	Appendix E(1)
Net increase/(decrease) in cash and cash equivalents	(55,389,774)	(43,209,324)	(98,599,098)	(40,317,361)	58,281,737	Appendix E(1)
Cash and cash equivalents at the beginning of the year	118,813,581	-	118,813,581	126,152,442	7,338,861	Appendix E(1)
Cash and cash equivalents at the end of the year	**63,423,807**	**(43,209,324)**	**20,214,483**	**85,835,081**	**65,620,598**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance											
Property rates	15,000,000	-	15,000,000	-		15,000,000	15,554,208		554,208	104 %	104 %
Service charges	34,539,000	(12,616,000)	21,923,000	-		21,923,000	19,094,994		(2,828,006)	87 %	55 %
Investment revenue	5,123,000	2,020,000	7,143,000	-		7,143,000	8,587,489		1,444,489	120 %	168 %
Transfers recognised - operational	151,397,000	3,290,000	154,687,000	-		154,687,000	151,643,521		(3,043,479)	98 %	100 %
Other own revenue	101,438,303	37,524,000	138,962,303	-		138,962,303	4,389,178		(134,573,125)	3 %	4 %
Total revenue (excluding capital transfers and contributions)	**307,497,303**	**30,218,000**	**337,715,303**	**-**		**337,715,303**	**199,269,390**		**(138,445,913)**	**59 %**	**65 %**
Employee costs	(73,042,000)	6,765,000	(66,277,000)	-	-	(66,277,000)	(37,883,780)	-	28,393,220	57 %	52 %
Remuneration of councillors	(18,466,000)	-	(18,466,000)	-	-	(18,466,000)	(18,095,603)	-	370,397	98 %	98 %
Depreciation and asset impairment	(30,068,000)	-	(30,068,000)			(30,068,000)	(37,830,269)	-	(7,762,269)	126 %	126 %
Finance charges	(1,350,000)	-	(1,350,000)	-	-	(1,350,000)	(455,946)	-	894,054	34 %	34 %
Materials and bulk purchases	(22,152,000)	1,682,000	(20,470,000)	-	-	(20,470,000)	(22,309,542)	-	(1,839,542)	109 %	101 %
Transfers and grants	(67,142,000)	-	(67,142,000)	-	-	(67,142,000)	(17,804,716)	-	49,337,284	27 %	27 %
Other expenditure	(77,936,000)	-	(77,936,000)	-	-	(77,936,000)	(80,605,451)	-	(2,669,451)	103 %	103 %
Total expenditure	**(290,156,000)**	**8,447,000**	**(281,709,000)**	**-**	**-**	**(281,709,000)**	**(214,985,307)**	**-**	**66,723,693**	**76 %**	**74 %**
Total revenue (excluding capital transfers and contributions)	307,497,303	30,218,000	337,715,303	-	-	337,715,303	199,269,390	-	(138,445,913)	59 %	65 %
Total expenditure	(290,156,000)	8,447,000	(281,709,000)	-	-	(281,709,000)	(214,985,307)	-	66,723,693	76 %	74 %
Surplus/(Deficit)	**17,341,303**	**38,665,000**	**56,006,303**	**-**		**56,006,303**	**(15,715,917)**		**(71,722,220)**	**(28)%**	**(91)%**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	-	-	-		-	67,644,022		67,644,022	DIV/0 %	DIV/0 %
Surplus/(Deficit)	17,341,303	38,665,000	56,006,303	-	-	56,006,303	(15,715,917)	-	(71,722,220)	(28)%	(91)%
Capital transfers and contributions	-	-	-	-	-	-	67,644,022	-	67,644,022	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**17,341,303**	**38,665,000**	**56,006,303**	**-**		**56,006,303**	**51,928,105**		**(4,078,198)**	**93 %**	**299 %**
Surplus (Deficit) after capital transfers and contributions	17,341,303	38,665,000	56,006,303	-	-	56,006,303	51,928,105	-	(4,078,198)	93 %	299 %
Surplus/(Deficit) for the year	**17,341,303**	**38,665,000**	**56,006,303**	**-**		**56,006,303**	**51,928,105**		**(4,078,198)**	**93 %**	**299 %**

Capital expenditure and funds sources

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total capital expenditure	(171,421,000)	(15,921,000)	(187,342,000)	-		(187,342,000)	-		187,342,000	- %	- %
Sources of capital funds											
Transfers recognised - capital	(67,142,000)	-	(67,142,000)	-		(67,142,000)	-		67,142,000	- %	- %
Borrowing	45,000,000	-	45,000,000	-		45,000,000	-		(45,000,000)	- %	- %
Internally generated funds	59,279,000	-	59,279,000	-		59,279,000	-		(59,279,000)	- %	- %
Total sources of capital funds	**37,137,000**	**-**	**37,137,000**	**-**		**37,137,000**	**-**		**(37,137,000)**	**- %**	**- %**

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All amounts have been rounded off to the nearest rand in accordance with GRAP 1 paragraph 54 (e).

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

1.3 Significant judgements and sources of estimation uncertainty (continued)

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Provision for Rehabilitation of landfill site

The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size / extent of the land to be rehabilitated, site water balance, the rehabilitation cost, the monitoring and the rehabilitation period.

Provisions, contingent liabilities and contingent assets

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities and contingent assets as set out in note 15 of the financial statements. Provisions are discounted where the effect is material.

Depreciation and Amortization

Depreciation and amortization recognised on property plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's condition, expected condition at the end of the of the period of use, its current use, expected, expected future use and the municipality's expectations about the availability of finance to replace the asset at the end of its useful life.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service of a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

1.4 Investment property (continued)

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Property, plant and equipment and Intangible assets

Property, plant and equipment and Intangible assets are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment and intangible assets is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment and Intangible assets is initially measured at cost.

The cost of an item of property, plant and equipment and intangible assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment and intangible assets is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment and intangible assets, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment and intangible assets ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

1.5 Property, plant and equipment and Intangible assets (continued)

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment and intangible assets. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment and intangible assets are accounted for as property, plant and equipment and intangible assets.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and intangible assets and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment and intangible assets. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment and Intangible assets is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment and Intangible assets are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment and intangible assets have been assessed as follows:

Item	Average useful life
Land	Undefined
Buildings	25 years
Furniture and fixtures	5 years
Motor vehicles	5-10 years
Office equipment	5 years
IT equipment	3-5 years
Infrastructure	
• Roads and Pavings	10 years
• Electricity reticulation and supply	50 years
• Waste disposal facilities	20-30 years
• Storm water	60 years
• Traffic lights	15 years
• Water supply reticulation	20 years
• Landfill sites	20-30 years
Community	
• Cemeteries	10-15 years
• Community Halls	25 years
• Housing Scheme Houses	15 years
• Recreational Facilities	25 years
Other property, plant and equipment	5-10 years
Park Facilities	25 years

The residual value, the useful life and depreciation method of each asset are reviewed at least at of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment and intangible assets with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment and intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment and intangible assets is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment and intangible assets is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 Property, plant and equipment and intangible assets (continued)

Property, plant and equipment which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	2 years

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another municipality; or
- a contractual right to:
  - receive cash or another financial asset from another municipality; or
  - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Accounting Policies

1.7 Financial Instruments (continued)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by a municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of a municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Call accounts	Financial asset measured at amortised cost
Trade and other receivables	Financial asset measured at amortised cost
Cash and bank balances	Financial asset measured at amortised cost

Accounting Policies

1.7 Financial Instruments (continued)

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables	Financial liability measured at amortised cost

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The Municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

1.7 **Financial instruments (continued)**

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the municipality adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

Accounting Policies

1.7 Financial instruments (continued)

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the municipality obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the municipality recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated municipality, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and

1.10 Impairment of cash-generating assets (continued)

- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the municipality operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

1.10 Impairment of cash-generating assets (continued)

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

1.11 Employee benefits (continued)

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Leave pay

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as result of the unused entitlement that has accumulated at the reporting date.

The liability is based on the total amount of leave days due to employees at reporting date and on basic salary of the employees.

1.11 Employee benefits (continued)

Long service awards

The municipality provides long service awards to eligible employees, payable on completion of a certain number of years of employment. A provision is raised to account for the expected long service awards due to be paid in the preceding year

Annual Bonuses

The municipality recognise the expected cost of bonus, incentive and performance related payments only when the municipality has a present legal or constructive obligation to make such payments as a result of past events and if a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make payments.

The municipality pays out an annual bonus to its employees during the month of their birthday or annually from date of employment. A liability relating to the anticipated bonuses payable is raised and is based on the monthly basic salary of the individual.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one municipality, on the basis that contribution and benefit levels are determined without regard to the municipality of the municipality that employs the employees concerned.

1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

1.12 Provisions and contingencies (continued)

If an municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an municipality:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in municipality combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement.

Indications that an out flow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.12 Provisions and contingencies (continued)

Provision for rehabilitation of Landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill site used for waste disposal. It is calculated as the present value of the future obligation, discounted over an average period as determined by valuers.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Service Charges-Electricity

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on average consumption. Revenue arising from consumption of electricity in the month of June is fully accounted for whether invoiced or not.

Prepaid electricity

Revenue from the sale of electricity prepaid meter cards and other services provided on pre-payment basis are recognised at the point of sale.

1.13 Revenue from exchange transactions (continued)

Refuse removal

Revenue relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Rental income

Revenue from the rental of facilities and equipment is recognised on a straight line basis over the term of the lease agreement.

Tariff charges

Revenue arising from the application of the approved tariff charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Income from agency fees

Revenue arising out of situations where the municipality acts as an agent on behalf of another municipality (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Investment income

Revenue arising from the use by others of municipality assets yielding interest, is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality and the amount of the revenue can be measured reliably. Interest received is recognised , in surplus or deficitusing the effective interest rate method.

Interest, royalties and dividends

Revenue arising from the use by others of municipality assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the municipality receives value from another municipality without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.14 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the municipality the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

1.14 Revenue from non-exchange transactions (continued)

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

Recovery of unauthorised, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Taxes

The Municipality accounts for Value Added Tax on the invoice basis. Revenue, expenses and assets are recognised net of the VAT amount. The net amount of VAT recoverable from or payable to the taxation authority is disclosed on the face of the statement of financial position.

1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

When the presentation or classification of items in the annual financial statements is amended prior period comparative amounts are also reclassified and restated unless such comparative reclassification and/or restatement is not required by a standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors which relate to prior periods have been identified in the current year, the correction is made retrospectivelyas far as practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with the prior periods. Where there has been a reclassification or restatement the nature and reasons for the reclassification and restatement are disclosed in note 40 'Prior Period Errors' to the financial statements.

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.22 Segmental information

Segmental information on property, plant and equipment and intangible assets, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.23 Change in accounting policy, estimate and errors

Changes in accounting policy that are affected by management have been applied retrospectively in accordance with GRAP 3 except to the extent that it is impracticable to determine the period specific effects or the accumulative effect of the change in policy. In such cases the municipality restates the opening balances of assets and liabilities and net assets for the for the earliest period for which retrospective restatement is practicable. Details of the changes in accounting policy are disclosed in the notes to the annual financial statements where applicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 except to the extent that it is impracticable to determine the period specific effects or the cumulative effects of the error. In such cases the municipality restates the opening balances of assets and liabilities and net assets for the earliest period for which retrospective treatment is practicable. Details of prior period errors are disclosed in note 40 of the financial statements where applicable.

1.24 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorizations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.25 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.26 Surplus or deficit

Gains and losses arising from fair value adjustments on investments and loans, and from the disposal of assets are presented separately from other revenue in the Statement of Financial Performance.Income, expenditure, gains and losses are recognised in surplus or deficit except for the exceptional cases where recognition directly in net assets is specifically allowed or required by a standard of GRAP.

1.27 Events after reporting date

Events after the reporting date are those events, both favourable and unfavourable that occur between the the reporting date and the date when the Annual Financial Statements are authorised for issue. Two types of events can be identified: a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date). The municipality will adjust the amounts recognised in the Annual Financial Statements to reflect adjusting events after the reporting date occurred. The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the Annual Financial Statements.

1.28 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in an outflow of resources embodying economic benefits or service potential. A commitment is disclosed to the extent that it has not already been recognised anywhere else in the financial statements. At the end of each financial period the municipality determines commitments in respect of capital expenditure that has been approved and contracted for.

1.29 Contingent assets and contingent liabilities

The municipality does not recognise contingent liabilities or contingent assets but discloses them.

A contingent liability is a possible outflow of resources embodying economic benefits or service potential that is subject to a future event.

A contingent asset is a possible inflow of resources embodying economic benefits or service potential that is subject to one or more uncertain future events beyond the control of the municipality.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2015	The impact of the amendment is not material.
• GRAP 105: Transfers of functions between entities under common control	01 April 2015	The impact of the amendment is not material.
• GRAP 106: Transfers of functions between entities not under common control	01 April 2015	The impact of the amendment is not material.
• GRAP 107: Mergers	01 April 2015	The impact of the amendment is not material.
• GRAP 20: Related parties	01 April 2016	The impact of the amendment is not material.
• IGRAP 11: Consolidation – Special purpose entities	01 April 2015	The impact of the amendment is not material.
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2015	The impact of the amendment is not material.
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2015	The impact of the amendment is not material.
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2015	The impact of the amendment is not material.
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2015	The impact of the amendment is not material.
• GRAP32: Service Concession Arrangements: Grantor	01 April 2016	The impact of the amendment is not material.
• GRAP108: Statutory Receivables	01 April 2016	The impact of the amendment is not material.
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	The impact of the amendment is not material.
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2016	The impact of the amendment is not material.

3. Investment property

	2015			2014		
	Cost / Valuation	Fair value adjustment	Carrying value	Cost / Valuation	Fair value adjustment	Carrying value
Investment property	6,355,900	-	6,355,900	6,355,900	-	6,355,900

Reconciliation of investment property - 2015

	Opening balance	Total
Investment property	6,355,900	6,355,900

Reconciliation of investment property - 2014

	Opening balance	Total
Investment property	6,355,900	6,355,900

Pledged as security

There are no investment properties that have been pledged as security and there are no restrictions on the title.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was 30 June 2015. Revaluations were performed by an independent valuer, Mrs Penny Lindstrom. Mrs Lindstrom is not connected to the municipality and has recent experience in location and category of the investment property being valued. It was determined that for since there have been no movements in commercial property sales for the past 5 years the investment property value remain at the same value.

These assumptions are based on current market conditions.

Changes in the opening balance of the investment property

The asset register was reconstructred as from 2011/12 financial period and that caused a change in the opening balance of the investment properties. The effect of the change has been detailed in note 40.

4. Property, plant and equipment and intangible assets

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	7,540,350	(136,148)	7,404,202	4,452,046	(37,701)	4,414,345
Buildings	38,465,809	(1,458,710)	37,007,099	25,422,528	(905,481)	24,517,047
Plant and machinery	7,753,885	(2,290,341)	5,463,544	8,260,099	(2,108,052)	6,152,047
Furniture and fixtures	7,937,665	(3,430,516)	4,507,149	6,437,533	(3,354,263)	3,083,270
Motor vehicles	7,852,236	(835,179)	7,017,057	4,869,490	(1,334,260)	3,535,230
Infrastructure	585,345,481	(111,156,755)	474,188,726	497,598,762	(77,670,097)	419,928,665
Community	56,583,522	(6,954,978)	49,628,544	53,012,559	(5,152,534)	47,860,025
Total	**711,478,948**	**(126,262,627)**	**585,216,321**	**600,053,017**	**(90,562,388)**	**509,490,629**

Figures in Rand	2015	2014

4. Property, plant and equipment and Intangible assets (continued)

Reconciliation of property, plant and equipment and intangible assets - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	4,414,345	3,088,304	-	-	(98,447)	7,404,202
Buildings	24,517,047	13,043,281	-	-	(553,229)	37,007,099
Plant and machinery	6,152,047	-	(243,970)	-	(444,533)	5,463,544
Furniture and fixtures	3,083,270	2,580,621	(98,225)	-	(1,058,517)	4,507,149
Motor vehicles	3,535,230	4,498,870	(635,873)	-	(381,170)	7,017,057
Infrastructure	419,928,665	97,097,889	-	(9,351,169)	(33,486,659)	474,188,726
Community	47,860,025	3,570,963	-	-	(1,802,444)	49,628,544
	509,490,629	**123,879,928**	**(978,068)**	**(9,351,169)**	**(37,824,999)**	**585,216,321**

Reconciliation of property, plant and equipment and intangible assets - 2014

	Opening balance	Additions	Transfers	Depreciation	Total
Land	4,426,912	-	-	(12,567)	4,414,345
Buildings	20,504,225	4,358,662	-	(345,840)	24,517,047
Plant and machinery	6,042,262	585,592	-	(475,807)	6,152,047
Furniture and fixtures	2,660,745	1,135,028	-	(712,503)	3,083,270
Motor vehicles	3,047,078	884,349	-	(396,197)	3,535,230
Infrastructure	389,793,601	124,566,360	(65,319,698)	(29,111,598)	419,928,665
Community	46,182,448	3,424,681	-	(1,747,104)	47,860,025
	472,657,271	**134,954,672**	**(65,319,698)**	**(32,801,616)**	**509,490,629**

Pledged as security

There are no property plant and equipment pledged as security and there are no restrictions on the title.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Change in the opening balance of the PPE

The asset register was reconstructred as from 2011/12 financial period and that caused a change in the opening balance of the Property, Plant and Equipment. The effect of the change has been detailed in note 40 .

5. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets	-	-	-	15,722	(10,453)	5,269

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Intangible assets	5,269	(5,269)	-

5. Intangible assets (continued)

Reconciliation of intangible assets - 2014

	Opening balance	Amortisation	Total
Intangible assets	10,495	(5,226)	5,269

Pledged as security

There are no intangible assets pledged as security and there are no restrictions on the title

Changes in the opening balance of the intangible assets

The asset register was reconstructred as from 2011/12 financial period and that caused a change in the opening balance of the intangible assets. The effect of the change has been detailed in note 40.

6. Operating lease asset

Certain of the municipality's property is held to generate rental income. Lease agreements are renewable and have varying terms of between 9 to 20 years. There are no contingent rentals receivable. The operating lease asset arose as a result of straightlining the lease rentals per requirements of GRAP 13.

	2015	2014
Operating lease asset	1,593,160	1,719,697

7. Prepayments

	2015	2014
Prepaid Expenses	7,590,981	1,191,113

Prepaid expenses are expenditure that are paid for in one accounting period , but for which the underlying services will be received in a future period.
During the year under review the municipality paid for services that will be rendered in the following accounting period.
These were suppliers requirements as they required payment before they can render services. These suppliers were:
Eskom Distribution: 5% upfront payment for the upgrading of electricity lines in preparation for electrification in villages around Mbizana.
SAGE VIP: Pre payment for VIP Payroll training that will be conducted in July, August and September 2015.

8. Inventories

	2015	2014
Inventories	866,905	956,800
Inventories (write-downs)	-	-
	866,905	**956,800**

Inventories consist of consumable stores.

Inventory pledged as security

There were no inventories pledged as security.

There were no inventory write downs in the current financial year.

9. Other receivables from exchange transactions

	2015	2014
Trade debtors	1,860,763	1,310,519
Other debtors - Land sales	210,030	210,030
Debtors - Electricity	956,457	1,284,278
	3,027,250	**2,804,827**

Figures in Rand	2015	2014

9. Other receivables from exchange transactions (continued)

The municpality sold land to Bargain wholesalers (R 200 000) and Paul Marais (R 60 030) in prior years. As at 30 June the following amounts are still outstanding: Bargain Wholesalers R 150 000 (2014 R 150 000) and Paul Marais R 60 030 (2014 R 60 030).
In the prior year the municipality used incorrect electricity tariff rates and the correction of these incorrect billings resulted in a change in electricity debtors to R 1 284 278.

Trade and other receivables pledged as security

The municipality does not have debtors that are pledged as security.

Fair value of trade and other receivables

	2015	2014
Trade and other receivables	3,355,078	3,004,571

The carrying value of trade and other receivables approximates the fair value.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2015, R 1,724,376 (2014: R 1,166,487) were past due but not impaired.

The following amounts were past due but not impaired:

	2015	2014
3 months past due	1,724,376	1,166,487

10. Receivables from non-exchange transactions

	2015	2014
Rates	6,610,830	4,055,193
Other receivables from non-exchange transactions	2,426,632	2,425,855
	9,037,462	**6,481,048**

Other non exchange transactions		
Payroll debtors	141,104	141,104
Overpayment-councillors remuneration	2,272,262	2,274,262
Provident fund	913	913
Pension fund	12,353	9,575
Funeral schemes	40	-
	2,426,672	**2,425,854**

Rates		
Gross Balance	10,335,389	6,910,172
Less:Provision for bad debts	(3,724,559)	(2,854,979)
	6,610,830	**4,055,193**

Rates: Ageing		
Current (0 -30 days)	3,108,681	697,714
31 - 60 days	147,335	192,373
61 - 90 days	2,702,212	175,939
91 - 120 days	378,796	185,552
121 - 150 days	536,543	1,339,606
> 150 days	3,461,822	4,318,988
	10,335,389	**6,910,172**

Notes to the Financial Statements

Figures in Rand	2015	2014

11. VAT receivable

VAT	11,387,165	4,960,091

VAT is recognised on an invoice basis.

12. Receivables from exchange transactions

Gross balances		
Receivables-service charges	11,981,808	10,393,806
Less: Allowance for impairment		
Provision for bad debts	(8,375,533)	(6,670,377)
Net balance		
Receivables-service charges	3,606,275	3,723,429
Receivables-service charges		
Current (0 -30 days)	1,308,253	1,542,061
31 - 60 days	692,874	2,213,089
61 - 90 days	405,143	454,303
91 - 120 days	28,711	208,601
121 - 150 days	250,236	302,205
> 150 days	9,296,591	5,673,547
	11,981,808	**10,393,806**

Notes to the Financial Statements

Figures in Rand	2015	2014

12. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

Rates		
Current (0 -30 days)	3,108,681	697,714
31 - 60 days	147,335	192,373
61 - 90 days	2,702,212	175,939
91 - 120 days	378,796	185,552
121 - 150 days	536,543	1,339,606
> 150 days	3,461,823	4,318,988
	10,335,390	6,910,172
Less: Allowance for impairment	(3,724,559)	(2,854,979)
	6,610,831	**4,055,193**
Receivables-Service Charges		
Current (0 -30 days)	1,308,253	1,542,061
31 - 60 days	692,874	2,213,089
61 - 90 days	405,143	454,303
91 - 120 days	28,711	208,601
121 - 150 days	250,236	302,205
> 150 days	9,296,591	5,673,547
	11,981,808	10,393,806
Less: Allowance for impairment	(8,375,533)	(6,670,377)
	3,606,275	**3,723,429**
Other receivables		
Current (0 -30 days)	97,164	73,865
31 - 60 days	120,534	1,372,303
61 - 90 days	58,551	121,583
91 - 120 days	68,758	30,774
121 - 150 days	95,690	26,324
> 150 days	2,142,817	356,044
	2,583,514	**1,980,893**

Reconciliation of allowance for impairment

Balance at beginning of the year	(6,670,377)	(8,771,365)
Contributions to allowance	(5,429,715)	(3,070,843)
Debt impairment written off against allowance	-	2,316,852
Reclassification to receivables from non-exchange	3,724,559	2,854,979
	(8,375,533)	**(6,670,377)**

Consumer debtors pledged as security

There were no consumer debtors pledged as security in the 14-15 finacial year.

Credit quality of consumer debtors

In determining the recoverability of consumer debt the municipality considers any changes in the credit quality of the consumer debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the consumer base being large and unrelated. Accordingly, the provision for impairment is determined according to the past payment patterns of each consumers within the various categories. The calculation of the provision for bad debts is automated in the system which is configured according to the national treasury scoring method.

Figures in Rand	2015	2014

12. Receivables from exchange transactions (continued)

Fair value of receivables- service charges

Service charges	3,570,530	3,723,429

The fair value of receivables from services charges is determined by taking the gross amount less allowance for impairment.

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,846	470
Bank balances	85,833,234	126,151,972
	85,835,080	**126,152,442**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
FNB BANK - Public Sector - Cheque Account-51704922107	2,246,476	4,561,196	9,546,931	2,266,873	1,128,174	4,743,705
FNB BANK - Public Sector - Account- 61170003788	356,527	342,002	330,346	356,528	342,003	330,396
FNB BANK - Public Sector - Cheque Account - 51701039997	1,598,375	1,527,170	1,469,174	1,588,819	1,517,613	1,459,617
FNB BANK - 32 day notice - 740-0292-4914	222,887	214,754	208,043	222,887	214,754	208,043
FNB BANK - Business Call Account - 611700303564	42,221	42,221	42,221	42,221	42,221	42,221
FNB BANK - Business Call Account - 620003246693	21,237	21,237	21,237	21,237	21,237	21,237
FNB BANK - Business Call Account - 61170003374	100,574	100,574	100,574	100,574	100,574	100,574
FNB BANK - Business Call Account - 62022692439	394,565	396,958	399,238	394,565	396,958	400,379
FNB BANK - Business Call Account - 6202224555	1,241	1,241	1,241	1,241	1,241	1,241
FNB BANK - Business Call Account - 62028477992	80,200,374	121,749,279	115,074,279	80,200,374	121,749,279	109,574,279
FNB BANK-Business Call Account-62122946447	4,482	4,482	4,482	4,482	4,493	4,493
FNB BANK Business Call Account-6212246661	619,443	619,443	619,443	619,443	619,442	619,442
FNB BANK-Business Call Account-62122946778	6,495	6,495	6,495	6,495	6,494	6,494
FNB BANK-Business Call Account-62122946926	6,495	6,495	6,495	6,495	6,494	6,494
FNB BANK-Business Call Account-62459758078	1,064	1,014	-	1,000	1,000	-
Total	**85,822,456**	**129,594,561**	**127,830,199**	**85,833,234**	**126,151,977**	**117,518,615**

Figures in Rand	2015	2014

14. Unspent conditional grants and receipts

The conditions relating to full expenditure were not met for the grants disclosed as unspent conditional grants and receipts. These amounts are accounted for as a current liability until a roll-over is granted by national treasury and the spending condition is met.

Unspent conditional grants and receipts comprises of:

DSRAC: Library Grant	23,204	76,521
LED : Economic Master Plan	301,868	301,868
EPWP Casuals	(282)	20,400
SDF Grant(ANDM)	(31,917)	237,800
Electricity Grant	1,722	(4,920)
DHLTA-Fraud Prevention	160,280	160,280
LED-Grant	120,920	129,950
Road Maintenance IEC	263,124	263,124
IDP Grant	156,939	6,939
Pilot Housing Trust Fund	391,620	391,620
EXT 2 Residents Trust Fund-Grant	33,802	33,802
Financial Management Grant	756	80,004
Municipal Infrastructure Grant	(6,229)	425,345
Municipal Systems Improvement Grant	44,291	634,167
Municipal Support Grant	275,148	275,148
DEDEAT- Alien Plant Vegetation	3,290,200	-
	5,025,446	**3,032,048**

Movement during the year

Balance at the beginning of the year	3,032,048	9,792,921
Additions during the year	76,030,019	64,602,775
Income recognised during the year	(74,036,621)	(71,363,648)
	5,025,446	**3,032,048**

Figures in Rand	2015	2014

15. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	5,591,594	2,619,069	-	8,210,663
Provision for long service bonuses	202,719	-	(59,827)	142,892
	5,794,313	**2,619,069**	**(59,827)**	**8,353,555**

Reconciliation of provisions - 2014

	Opening Balance	Total
Environmental rehabilitation	5,591,594	5,591,594
Provision for long service bonuses	202,719	202,719
	5,794,313	**5,794,313**

Non-current liabilities	6,722,963	5,591,594
Current liabilities	1,630,592	202,719
	8,353,555	**5,794,313**

Environmental rehabilitation provision
The municipality operates a refuse disposal site. In accordance with legislation and to comply with the Department of Water Affairs (DWA) and Department of Economic Development and Enviromental Affairs (DEDEA) on the landfill waste sites, the municipality raises a provision every year for the estimated cost of rehabilitating the land over which the site is situated.
Provision has been made for this cost based on the construction budget to rehabilitate the landfill site at 30 June 2015 taking into account price escalations of 10% relating to inflation.
A valuation of the rehabilitation was conducted by an independent valuer (Ikamva Consulting) and a liability has been raised. Movements in the provision are recognised in the statement of financial performance.
The provision has been determined on the basis of a recent independent financial requirement and viability study.

Long Service Bonus Provision
The municipality offers employees long service awards (LSA) for every 5 years of service completed from 5 years of service to 45 years of service inclusive. The LSA is not a funded arrangement.
Movements in the provision are recognised in the statement of financial performance.

16. Loan from DBSA

DBSA loan will be due in 7 days from the payment dates of INEP grants to Municipalities as they are published in the Government Gazette in terms of the applicable Division of Revenue Act. The capital together with interest shall be paid within 2 years and the interest rate is fixed at 9%.

DBSA-Loan	8,983,084	-

Figures in Rand	2015	2014

17. Payables from exchange transactions

Trade payables	24,332,302	12,111,413
Payments received in advanced - contract in process	618,907	-
Other payables	523,085	604,373
Payroll creditors	439,890	12,421,362
Accrued expense	5,653,029	868,901
Unallocated receipts	975,268	1,582,678
MCF-Mbizana Charity Fund	542	-
Provision for workmens compensation	655,653	638,212
Staff leave provision	8,142,765	5,339,906
Provision for staff bonuses	999,106	764,698
Retention	3,637,760	1,769,751
Other Creditors	3,862	1,540
	45,982,169	**36,102,834**

The average payment period for services received is 30 days from the receipt of the invoice as required by the MFMA. Interest charged and penalties charged for late payments have been disclosed separately.

The municipality has considered the effect of discounting trade creditors to fair value and the difference was considered immaterial. Accordingly trade and other payables approximate fair value.

Staff leave provision: The staff leave provision is based on number of leave days accruing to the employees multiplied by the most recent salaries. Movements in the provision are recognised in the statement of financial performance.

Staff bonus provision: The municipality pays employees an annual bonus for every complete year worked. The bonus is equivalent to basic salary on the month of their birthday. At year end a provision is raised to account for employees due to receive a bonus and is based on the completed number of months worked at year end and the basic rate of the employee. Movements in the provision are recognised in the statement of financial performance.

Workmen's compensation provision: In terms of COID Act every employer must pay workmen's compensation to the Department of Labour. The compensation fund sends employers notices of assessment every year in April indicating the amount that must be paid.The municipality thus raises a provision for the amount payable in the following year. This is based on the budgeted total personnel expenditure for the year and a percentage as determined by the Department of Labour.
Movements in the provision are recognised in the statement of financial performance.

18. Consumer deposits

Electricity	325,769	325,769
Electricity New Connections	67,500	63,000
Hall Hire	40,277	31,568
	433,546	**420,337**

Consumer deposits for electricity are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts council can utilise the deposits as payment for the outstanding amount.

Hall hire deposits are paid by consumers on hiring any of the municipal community halls. The deposit is a damage deposit and is paid back to the consumer after the event and if no damages occurred.

Consumer deposits collected do not accrue any interest.

The carrying value of consumer deposits approximates their fair value.

Notes to the Financial Statements

Figures in Rand	2015	2014

19. Revenue

Service charges	19,094,994	18,380,634
Rental of facilities and equipment	608,943	809,070
Licences and permits	1,823,312	1,756,005
Other income	686,397	1,907,559
Interest received	8,587,489	6,213,348
Property rates	15,554,208	9,974,852
Government grants & subsidies	219,287,543	195,973,502
Fines, Penalties and Forfeits	1,270,526	630,060
	266,913,412	**235,645,030**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	19,094,994	18,380,634
Rental of facilities and equipment	608,943	809,070
Licences and permits	1,823,312	1,756,005
Other income	686,397	1,907,559
Interest received	8,587,489	6,213,348
	30,801,135	**29,066,616**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	15,554,208	9,974,852
Transfer revenue		
Government grants & subsidies	219,287,543	195,973,502
Fines, Penalties and Forfeits	1,270,526	630,060
	236,112,277	**206,578,414**

20. Property rates

Rates income

Residential	15,554,208	9,974,852

Valuations

Residential	678,811,000	77,047,050
Commercial	421,746,500	413,385,000
State	879,738,500	443,751,240
Municipal	24,794,500	13,364,000
Small holdings and farms	-	65,000
	2,005,090,500	**947,612,290**

Valuations on land and buildings are performed every 4 years. The last general valuation roll came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions

A general rate of R 0.0081 (businesses), R 0.0053 (residential), R 0.0081 (State) is applied to property valuations to determine assessment rates. Rebates of R 55 000 are granted to residential property owners.

Rates are levied on an annual basis with the final date for payment being 30 September for annual payments. Interest at prime plus 1% per annum (2014: prime plus 1%) is levied on rates outstanding 30 days after due date.

Notes to the Financial Statements

Figures in Rand	2015	2014

21. Service charges

Sale of electricity	18,062,138	17,345,629
Refuse removal	1,032,856	1,035,005
	19,094,994	**18,380,634**

22. Government grants and subsidies

Operating grants		
Equitable share	145,250,923	126,026,847
Planning: Rural housing	(11,680)	322,883
Spatial Development Framework	269,717	262,200
LED: Economic master plan	-	198,132
Proincial Grant	-	280,500
LED Grant	9,030	99,326
LGSET / Skills Development	-	143,061
Dept Sport & Culture - Library	303,317	129,479
Municipal Systems Improvement Grant	889,709	713,759
MIG Operational	2,172,910	-
LED Funding: Baleni Capentry	-	62,988
Financial Management Grant	1,606,493	2,375,617
LGSET / Skills Development Grant	120,808	147,969
EPWP Grant	1,020,682	1,229,698
FMG - Financial Management Grant	11,612	-
	151,643,521	131,992,459
Capital grants		
Municipal Infrastructure Grant	43,250,664	43,976,123
Electrification Grant	24,393,358	20,004,920
	67,644,022	63,981,043
	219,287,543	**195,973,502**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	73,629,151	69,946,655
Unconditional grants received	145,250,923	126,026,847
	218,880,074	**195,973,502**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents received free basic electricity amounting to R 1 459 490.26 and free basic services amounting to R 158 800.

Allocation as per the DoRA	145,250,923	126,026,847
Amount recived and accounted for as revenue	(145,250,923)	(126,026,847)
	-	-

Figures in Rand	2015	2014

22. Government grants and subsidies (continued)

DSRAC Library Grant

Balance unspent at beginning of year	76,521	-
Current-year receipts	250,000	206,000
Conditions met - transferred to revenue	(303,317)	(129,479)
	23,204	**76,521**

The spending condition in relation to the grant received was not met fully therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 14).

Provincial Grant-Legislature

Balance unspent at beginning of year	301,868	500,000
Current-year receipts	-	(198,132)
	301,868	**301,868**

The spending condition in relation to the grant received was not met fully therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 14).

EPWP Grant

Balance unspent at beginning of year	20,400	250,098
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,020,682)	-
Other	-	(1,229,698)
	(282)	**20,400**

The Municipality exceeded the grant allocation as a result the grant is overspent.

Spatial Development Framework

Balance unspent at beginning of year	237,800	500,000
Conditions met - transferred to revenue	(269,717)	-
Other	-	(262,200)
	(31,917)	**237,800**

The Municipality exceeded the grant allocation as a result the grant is overspent.

Intergrated National Electrification Grant

Balance unspent at beginning of year	(4,920)	1,887,847
Current-year receipts	24,400,000	20,000,000
Conditions met - transferred to revenue	(24,393,358)	(20,004,920)
Amounts recognised against equitable share	-	(1,887,847)
	1,722	**(4,920)**

The spending condition in relation to the grant received was not met fully therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 14).

Figures in Rand	2015	2014

22. Government grants and subsidies (continued)

DHLTA-Fraud Prevention Grant

Balance unspent at beginning of year	160,280	160,280

The spending condition in relation to the grant received was not met fully therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 14).

LED Capacity Grant

Balance unspent at beginning of year	129,950	-
Current-year receipts	-	229,275
Conditions met - transferred to revenue	(9,030)	(99,325)
	120,920	**129,950**

The spending condition in relation to the grant received was not met fully therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 14).

IEC Grant

Balance unspent at beginning of year	263,124	263,124

The spending condition in relation to the grant received was not met fully therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 14).

IDP Grant

Balance unspent at beginning of year	6,939	-
Current-year receipts	150,000	150,000
Conditions met - transferred to revenue	-	(143,061)
	156,939	**6,939**

The spending condition in relation to the grant received was not met fully therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 14).

Pilot Housing Trust

Balance unspent at beginning of year	391,620	391,620

The spending condition in relation to the grant received was not met fully therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 14).

Ext 2 Residence Grant

Balance unspent at beginning of year	33,802	33,802

The spending condition in relation to the grant received was not met fully therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 14).

Figures in Rand	2015	2014

22. Government grants and subsidies (continued)

Financial Management Grant

Balance unspent at beginning of year	80,004	905,620
Current-year receipts	1,600,000	1,550,000
Conditions met - transferred to revenue	(1,606,493)	(2,375,616)
Withheld/Returned to NRF	(72,755)	-
	756	**80,004**

The spending condition in relation to the grant received was not met fully therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 14).

Municipal Infrastructure Grant

Balance unspent at beginning of year	425,345	4,104,468
Current-year receipts	44,992,000	40,297,000
Conditions met - transferred to revenue	(45,423,574)	(43,976,123)
	(6,229)	**425,345**

The Municipality exceeded the grant allocation as a result the grant is overspent.

Municipal Systems Improvement Grant

Balance unspent at beginning of year	634,167	457,926
Current-year receipts	934,000	890,000
Conditions met - transferred to revenue	(889,709)	(713,759)
Withheld	(634,167)	-
	44,291	**634,167**

The spending condition in relation to the grant received was not met fully therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 14).

Municipal Support Grant

Balance unspent at beginning of year	275,148	275,148

The spending condition in relation to the grant received was not met fully therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 14).

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Bill, (Bill No. 05 of 2014), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

23. Investment revenue

Interest revenue		
Bank	7,619,276	5,718,084
Interest charged on trade and other receivables	968,213	495,264
	8,587,489	**6,213,348**

Notes to the Financial Statements

Figures in Rand	2015	2014

24. Other income

Other income	686,397	1,907,559

Included in other income is an amount that relates to land sales and this is in relation to land sold by the municipality to various residents a couple of years back.

The amount included in other income is as follows:		
Land sales	36,200	1,325,287
Tender fees	471,920	433,063
Sundry income	500	8,037
Vending and hawking	32,472	29,079
Photocopying	3,734	-
Funeral fees	10,198	7,677
Advertising income	17,978	31,406
Building plans	39,582	7,946
Commission received	73,813	65,064
	686,397	**1,907,559**

25. Rental of facilities and equipment

Facilities and equipment		
Leasehold fees	566,959	698,219
Rental for billboards	11,333	23,928
Hall hire	30,651	86,923
	608,943	**809,070**

26. General expenses

Accounting fees	-	623,489
Advertising	612,210	428,287
Auditors remuneration	4,205,445	3,421,780
Bank charges	82,208	145,739
Cleaning	240,521	89,648
Consulting and professional fees	8,226,124	4,003,752
Service delivery expenses	2,316,169	1,151,565
Insurance	833,652	1,793,532
IT expenses	3,289,057	1,148,285
Magazines, books and periodicals	285,224	153,684
Motor vehicle expenses	1,360,858	1,607,563
Postage and courier	390	1,003
Printing and stationery	843,996	257,685
Protective clothing	283,509	326,739
Telephone and fax	7,780,612	6,342,304
Transport and freight	5,380,694	3,919,905
Training	1,271,634	1,200,659
Water	24,000	24,600
Entertainment	571,260	680,968
Enviromental projects	1,365,633	402,919
Free basic services	2,140,815	691,981
Institutional support	369,025	439,678
License fees	407,360	515,119
Security costs	1,373,207	1,456,516
Other expenses	33,746,869	25,895,384
	77,010,472	**56,722,784**

Notes to the Financial Statements

Figures in Rand	2015	2014

27. Employee related costs

Basic	37,877,423	33,655,841
Bonus	2,581,012	1,929,934
Medical aid - company contributions	2,571,524	1,365,865
UIF	294,811	255,616
PAYE	-	2,055
SDL	496,069	461,340
Leave pay provision charge	2,549,505	1,814,349
Cellphone allowance	530,407	409,519
Pension fund contribution	2,237,510	1,791,854
Bargaining council contribution	15,295	12,846
Other allowances	9,467,373	5,562,527
Overtime	346,600	388,158
Standby allowances	440,757	281,274
	59,408,286	**47,931,178**

Remuneration of municipal manager

Annual Remuneration	940,900	956,786
Leave pay	-	136,985
Travel,motor car,accommodation, subsistence and other allowances	295,125	-
	1,236,025	**1,093,771**

Remuneration of chief finance officer

Annual Remuneration	651,700	488,094
Travel, motor car, accommodation, subsistence and other allowances	387,336	197,897
Other	-	86,914
	1,039,036	**772,905**

Remuneration of Senior Manager: Corporate Services

Annual Remuneration	693,294	322,640
Travel, motor car, accommodation, subsistence and other allowances	401,099	-
Other	-	61,719
	1,094,393	**384,359**

Remuneration of Senior Manager: Community Services

Annual Remuneration	642,346	227,263
Travel, motor car, accommodation, subsistence and other allowances	353,102	119,336
Other	-	7,633
	995,448	**354,232**

Remuneration of Senior Manager: Engineering Services

Annual Remuneration	631,908	257,737
Travel, motor car, accommodation, subsistence and other allowances	405,542	192,614
Other	-	92,304
	1,037,450	**542,655**

Figures in Rand	2015	2014

27. Employee related costs (continued)

Remuneration of Senior Manager: Planning and DevelopmentServices

Annual Remuneration	687,687	556,634
Travel, motor car, accommodation, subsistence and other allowances	342,006	282,420
Leave pay	-	55,180
	1,029,693	**894,234**

Remuneration of councillors

Annual Remuneration	11,033,018	10,574,688
Contribution - Medical Aid	767,716	-
Allowance - Travel and Car	3,838,587	3,447,669
Allowance - Cellphone	1,322,967	899,438
Public Office Allowance	767,353	833,927
Insurance-UIF	-	2,460
Skills Development Levy	165,799	151,495
	17,895,440	**15,909,677**

The Mayor, Speaker, Chief Whip and Councilor Mnisi are full time. Each is provided with an office and secretarial support at the cost of the council.

The Mayor and Speaker have the use of council owned vehicles for official duties

The Mayor has one full-time bodyguard and driver.

The speaker has one full-time driver.

28. Debt impairment

Movement-provision for bad debts	2,574,736	753,991
Bad debts written off	-	2,316,852
	2,574,736	**3,070,843**

29. Depreciation and amortisation

Property, plant and equipment and Intangible assets	37,830,269	32,806,842

30. Finance costs

Other interest paid	455,946	464,967

31. Auditors' remuneration

Fees	4,205,445	3,421,780

Figures in Rand	2015	2014

32. Grants related expenditure

Intergrated Electrification	12,788,586	340,622
Spatial Development Framework	252,217	230,000
MIG-Project management	-	280,500
MIG Projects	788,375	(399,845)
Library Grant	303,317	128,310
LED: Economic master plan	-	156,420
Baleni Carpentry	28,900	16,730
Capacity Building Grant	-	98,229
EPWP Casuals	1,020,342	1,229,698
Municipal Systems Impovement Grant	948,774	555,567
Financial Management Grant	1,584,145	2,040,456
Library	-	17,496
Provincial Grant	-	120,596
Spatial Development Framework	90,060	-
IDP Grant	-	140,414
	17,804,716	**4,955,193**

Grant related expenditure consists of expenses incurred during the period in respect of various grants received. These expenses include salaries paid to interns, project management, consulting fees and project related travelling expenses.

33. Bulk purchases

Electricity	22,309,542	20,811,676

34. Cash generated from operations

Surplus	28,029,026	52,108,289
Adjustments for:		
Depreciation and amortisation	37,830,269	32,806,842
Debt impairment	2,574,736	3,070,843
Movements in operating lease assets and accruals	126,537	(224,488)
Movements in provisions	2,559,242	115,558
WIP transfers and non cash disposals	5,994,393	65,319,698
Other non cash movements	-	(25,219,699)
Changes in working capital:		
Inventories	89,895	(610,055)
Other receivables from exchange transactions	(222,423)	(2,594,797)
Consumer debtors	117,154	1,500,877
Other receivables from non-exchange transactions	(2,556,414)	(6,346,550)
Prepayments	(6,399,868)	(1,191,113)
Payables from exchange transactions	9,879,335	16,150,009
VAT	(6,427,074)	(834,875)
Unspent conditional grants and receipts	1,993,398	9,520,241
Consumer deposits	13,209	17,611
	73,601,415	**143,588,391**

Notes to the Financial Statements

Figures in Rand	2015	2014

35. Commitments

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessor (income)

The municipality is leasing certain property to Jack Parkers (Pty) Ltd. The lease agreement has a term of 9.5 years and rentals escalate by 5% every annum. No contingent rents are receivables

Minimum lease payments receivable		
- within one year	2,099	1,999
- within 2-5 years	4,127	6,226
	6,226	**8,225**

The municipality is leasing out certain property to Collins Property Investments. The lease agreement has a term of 20 years and rentals escalate by 8% every annum. No contingent rents are receivable.

Minimum lease payments receivable		
-Within one year	291,440	269,852
-Within 2-5 years	1,418,323	1,313,261
-later than 5years	-	566,971
	1,709,763	**2,150,084**

The municipality is leasing out certain property to Africa's Best 350. The lease agreement has a term of 10 years and rentals escalate by prime lending rate at each anniversary date. No contingent rents are receivable

Minimum lease payment receivable		
-Within one year	59,736	54,804
-Within 2-5 years	82,487	142,223
	142,223	**197,027**

The municipality is leasing out certain property to Blue Raindrops Trading CC. The lease agreement has a term of 12 years and rentals escalate by 8% at each anniversary date. No contingent rents are receivable.

Minimum lease payments receivable		
-Within one year	31,779	29,425
-Within 2-5 years	154,654	143,198
-later than 5 years	30,426	73,660
	216,859	**246,283**

The municipality is leasing out certain property to Slip Knot Investments 11 (Proprietary) Limited. The lease agreement has a term of 20 years and rentals escalate by 8% at each anniversary date. No contingent rents are receivable.

Minimum lease payments receivable		
-Within one year	321,446	297,636
-Within 2-5 years	1,564,352	1,448,473
-later than 5 years	388,413	825,737
	2,274,211	**2,571,846**

Authorised capital expenditure (approved and contracted)		
Property plant and equipment	19,123,745	12,933,581
Infrastructure Assets	59,430,496	32,953,718
Intergrated electrification	55,846,108	1,123,351
Community Assets	378,405	449,802
	134,778,754	**47,460,452**

Figures in Rand	2015	2014

35. Commitments (continued)

Other commitments

Consultants and professional fees	8,083,218	13,712,242

The committed expenditure relates to capital projects and other services that have been awarded and are currently in progress. These will be financed by:

Government grants

Retained surpluses and reserves

36. Contingencies

At year end the municipality had the following contingent assets and contingent liabilities

Contingent liabilities

Disclose:
- any contingent liabilities that the venture has incurred in relation to its interest in joint ventures and its share in each of the contingent liabilities that have been incurred jointly with other ventures.
- its share of the contingent liabilities of the joint ventures themselves for which it is contingently liable, and
- those contingent liabilities that arise because the ventures is contingently liable for the liabilities of the other ventures of a joint venture.

Cases against the municipality

	2015	2014
Case1: Gift Fynn vs Mbizana Local Municipality (Case no. 885/2011) The case relates to a claim for land (ERF 41 Bizana) made by Gift Fynn against the Mbizana Local Municipality. The case is still pending and no outcome has been reached.The municipality's lawyers are of the opinion that the chances of the municipality winning the case are 50:50.	250,000	250,000
Case 2: Jabbar Ul hassan Ali vs Mbizana Local Municipality The case arose out of diputed application of building plans as Mr Ali would not follow the approved building plans whilst contructing his shop. This matter is currently pending before the high court.	300,000	300,000
Case 3: Jabbar Ul hassan Ali vs Mbizana Local Municipality (Case no. 2070/2013) The case arose because of an illegal electricity connection by Mr Ali.	300,000	300,000
	850,000	**850,000**

Figures in Rand	2015	2014

36. Contingencies (continued)

Contingent assets

Contingent assets		
Patrick Teyise/Mbizana, case no. 84/2015 and case no. 202/2015	56,499	-
Both cases were civil suites by plaintiff for spoilation and electric meter box tempering. The cases were finalised		
Mbeko Mtshikwa/Mbizana Municipality	500,000	-
The case is about breaching conditions of hawker permits. It has delayed because of unavailability of presiding justice officer. The Municipality is represented by Madikizela Attorneys.		
Ukhanyo Infrastructure Managers (Pty) Ltd Case no. 830/2015	763,382	-
The case arose out of a claim for professional fees on electrification project of Tsawana. The case is awaiting a court date, expert evidence and consultation with official of Mbizana Municipality. We are represented by N.Z. Mtshabe Incorporated.		
The case arose out of a claim of wrongful arrest		
N. Sidoyi case no.570/2013	22,699	-
MbizanaLocal Municipality vs Noloyiso Mdingi	80,000	80,000
	50,000	50,000
Mbizana Local Municipality vs Jabbar Ul hassan Ali (case no.2457/2013)		
The case arose because of an illegal connection of electricity by Mr Ali and the subsequent debt that he incurred to the value of R 50 000. The respondent asked for an out of court settlement and the municipality is still considering the request. A date is to be set for a meeting to discuss the proposal.		
	1,472,580	**130,000**

Figures in Rand	2015	2014

37. Related parties

Relationships	
Section 57 managers	Refer to key management information
Mayor	Mr M.M. Twabu
Speaker	Mr T.D. Mafumbatha
Chief Whip	Mr A. Maquthu
Executive council members	9 members
Ordinary council members	49 councillors

Related party balances

	2015	2014
Debtors		
Councillors overpaid	2,272,262	2,274,262

In the financial period ended in 2013 councillors were paid remuneration that was above gazetted limits.

A debtor was raised to account for the amounts owed.

Apart from the remuneration disclosed no further transactions occurred with councillors and section 57 managers.

Compensation to accounting officer and other key management	2015	2014
Municipal Manager	1,236,025	1,093,771
Chief financial officer	1,039,036	772,905
Corporate services manager	1,094,394	384,359
Community services manager	995,448	354,232
Engineering services manager	1,037,450	542,655
Planning and developing manager	1,029,693	894,234
Mayor	841,039	677,826
Speaker	601,274	542,261
Councillors	18,408,957	16,334,121

Key management information

Class	Description	Number
Municipal Manager	Mr. LMahlaka	1
Chief financial officer	Mr. BS Fikeni	1
Corporate services manager	Mrs. NJ Mbonani	1
Community services manager	Mr. M Khuzwayo	1
Engineering services manager	Mr. IM Mpepeto	1
Planning and developing manager	Miss N Mafumbatha	1
Mayor	Mr. MM Twabu	1
Speaker	Ms TD Mafumbatha	1
Councillors	Refer to Appendix G for listing	60

38. Change in estimate

Provision for Landfill Site

The estimated cost to rehabilitate the landfill site has been revised and the effect of the revision has increased the cost for the current year and future periods by R 2 619 069

The municipality assesses its provision for the landfill site at the end of each financial period.The municipality is in the process of acquiring a licensed landfill site and closure of the old one. The implication of the above has led to a change in the amount the municipality can disclose as a provision as will be noted on Annual Financial Statements.

39. Prior period error

Statement of Finanacial Position

Receivables from Exchange Transactions

In the prior year trade debtors with negative balance were over reclassified to payables and a correction of this error has resulted in an decrease in receivables by R 530 198.

Other Receivables from Exchange Transactions

In the prior year the municipality used an incorrect tariffs to bill customers for conventional electricity sales, a correction has been made to raise a debtor for customers undercharged.

A suspense account was created relating to a debtor NR Williams whose overpayment was reversed more than once on the system. These reversals were recorded in the suspense account as they resulted in the customer owing the municipality.

A debtor was raised for an overpayment done to Auditor General South Africa as at 30 June 2014.

The correction of the above issues resulted in an increase of R 218 054 on other receivables fromexchange transactions.

Receivables from None Exchange Transactions

The basic salary for some employees was paid after termination date and incorrect acting allowances were paid which was caused by use of incorrect task grades when determining the allowance.

Invalid creditors were erroneously written off against overpayment of councilors vote account instead of the accumulated surplus vote account.

Telephone suspense account was not cleared at the end the 2012/13 financial year as adequate information was not available to clear the suspense.

In correcting these receivables from none exchange decreased by R 22 516.

VAT Receivables

The correction of error in Revenue and Expenditure had an effect of increasing the VAT receivable by R 357 145.

Inventory

In the prior year there was inventory that was not counted as it was incorrrectly as though it did not belong to the municipality. A journal was passed to adjust the inventory in the prior resulting increase in the inventory figure by R 67 840.

Property, Plant and Equipment

Various PPE balances have been restated as there was capital expenditure that has been recorded as repairs and maintance in the prior year. Further more retention was incorrectly calculated in the prior year and that correction of these resulted in a decrease in PPE of R 222 316 682.

Payables from Exchange Transactions

In the prior year the municipality used an incorrect tariffs to bill customers for conventional electricity sales, a correction has been madeand a creditor is raised for customers over billed.

A suspense account was created relating to a debtor NR Williams whose overpayment was reversed more than once on the system. These reversals were recorded in the suspense account as they resulted in the customer owing the municipality.

The correction of these errors resulted in an decrease in payables of R 8 634 077

Unspent Conditional Grants

In the prior year VAT was charged on an Finance Management intern's Salaries which are paid through the Finance Management Grant.

In the prior year revenue amount recognised from the unspent conditional grant was in correct. In correcting these errors there was a decrease in unspent conditional grants of R1 923 847.

Accumulated Surplus .

During the preparation of financial statements various journals were processed in order to correct prior year figures.

The cumulative effect of all the changes that have occurred resulted in an increase in the accumulated surplus by R 215 696 777 .

Statement of Financial Performance

Service Charges

Basic electricity was billed using incorrect rates as these were not in line with the approved NERSA tariffs in the prior year and a debtor for was raised for amounts underbilled and a creditor for overbilling. In correcting this error and increased was noted in revenue from exchange transactions by R 306 177.

Licences and Permits

An amount of R 552 976 relating to natis agency fees for the licence renewal on behalf of Department of Transaport were previously classifed as other income instead of licences and permits.

Other Income

A number of accounts such as Building plans, advertising income vending and hawking and funeral fees were previously classified as services charges and have now been moved to other income.

LGSETA has been moved to Government grants and subsidies.

The net effect of these reclassifications resulted in a net decrease of R 624 838.

Government Grants and Subsidies

In the prior year VAT was charged on an Finance Management intern's Salaries which are paid through the Finance Management Grant.

In the prior year revenue amount recognised from the unspent conditional grant was in correct. In correcting these errors there was an increase in revenue from non exchange transactions of R 2 071 815.

Fines

In the prior year traffic fines were accounted for on a cash basis rather than accrual basis, this resulted in an increase in revenue of R 273 800.

Personnel

The provision for staff bonus and staff leave were computed incorrectly in the prior year .

In the prior year the were incorrect calculations on acting allowance overtime and salaries of terminated employees. Debtors or creditors were raised for the overpayment and underpayment respectively.

There was mileage expense that was recorded under Travel and accommodation which should have been recorded in Subsistence and Travel.

The net acjustment of all the above changes resulted in a decrease of R 3 358 765

39. Prior period error (continued)

Remuneration of councilors

In the prior year there was a salary payment to a councilor after termination date. This was identified and corrected which resulted in a decrease in remuneration of councilors by R 428 644.

Depreciation

In the 2013/14 financial year an increase in the depreciation figure amounting to R 13 759 579 as the asset register was reconstructed.

Finance Cost

In the prior year prior year interest recorded as other expenditure which resulted in general expense being overstated and finance cost being understated by R34 362.

Repairs and Maintenance

In the prior year there were various general expenditure amounts such as fuel cost that were incorrectly recorded as repairs and maintenance. In correcting the error a reclassifying journal amounting to a net figure of R 208 680 was passed reducing the repairs and maintenance amount.

Grants related expenditure

In the prior year the amount recorded in the EPWP expenditure vote was overstated and a journal was passed to correct the error.

An amount of R 57 500 was recorded in an incorrect financial period, a correcting journal was passed resulting in an increase in the expenditure vote for the LED Project: Baleni Carpentry grant.

MIG grant expenditure was incorrectly debited instead of the Intergrated Electrification grant expenditure vote. In correcting this error a journal was passed resulting in a decrease in the MIG expenditure vote.

In the prior year the electricity expenditure vote was understated. In correcting this error journals were passed re-allocating electricity infrastructure expenditure funded from Equitable Share to the Intergrated National Electricity Programme.

The net effect of the above adjustments resulted to an decrease in Grant related expenditure of R 16 465 652 .

General expenditure

In the prior year various expenses were recorded in the incorrect period as well as incorrectly classified resulting in misstatement of expenses.

The correction of these errors resulted in an increase of general expenditure by R 890 805.

The correction of the error(s) results in adjustments as follows:

Statement of financial position	**Restated balance**	**Correction of prior period errors**	**As previously reported**
Receivables from Exchange Transactions	3,723,428	(530,199)	4,253,627
Other Receivables from Exchange Transaction	2,804,828	218,054	2,586,774
Receivables None exchange Transactions	6,481,048	(22,516)	6,503,564
VAT Receivable	4,960,091	357,145	4,602,946
Inventory	956,800	67,840	888,960
Property Plant and Equipment	515,851,798	222,316,682	293,535,116
Payables from Exchange Transactions	(36,102,834)	(8,634,077)	(27,468,757)
Unspent Conditional Grants	(3,032,048)	1,923,847	(4,955,895)
Accumulated surplus	(618,491,714)	(215,696,776)	(402,794,937)
	(122,848,603)	-	**(122,848,602)**

Figures in Rand	2015	2014

39. **Prior period error (continued)**

Statement of Financial Performance	Restated balance	Correction of prior period error	As previously reported
Service Charges	(18,380,634)	306,177	(18,686,811)
Government Grants and Subsidies	(195,973,501)	(2,071,816)	(193,901,685)
Licences & permits	(1,756,005)	(552,976)	(1,203,029)
Other income	(1,907,559)	624,837	(2,532,396)
Fair value adjustment	-	(672,032)	(672,032)
Fines	(630,059)	(273,800)	(356,259)
Personnel	47,931,178	(3,358,765)	51,289,943
Remuneration of Councilors	15,909,677	(428,644)	16,338,321
Depreciation	32,806,842	13,759,579	19,047,263
Finance Cost	464,967	34,362	430,605
Repairs and Maintenance	863,581	(208,680)	1,072,261
Grants Related Expenditure	4,955,193	(16,465,652)	21,420,845
General Expenditure	56,722,784	890,805	55,831,979
	(58,993,536)	**(8,416,605)**	**(51,920,995)**

40. **Risk management**

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (municipality treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilized borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	35,864,756	-	-	-
Consumer deposits	-	433,546	-	-
	35,864,756	**433,546**	**-**	**-**

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	27,468,757	-	-	-
Consumer deposits	17,611	402,726	-	-
	27,486,368	**402,726**	**-**	**-**

Liquidity risk is mainly concentrated on the trade and other payables balance.The municipality does not have any collateral and/or credit enhancements that aid in the mitigation of the liquidity risk.

Figures in Rand	2015	2014

40. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The financial assets carried at amortized cost expose the municipality to credit risk. The value of the maximum exposure to credit risk are as follows for each classes of financial assets at amortized cost

Financial instrument	2015	2014
Cash and cash equivalents	85,833,338	126,152,442
Other receivables from exchange transactions	3,355,078	3,004,571
Receivables from non exchange transactions	7,975,291	6,481,048
Receivables from exchange transactions	4,632,742	3,723,429

41. Electricity Distribution Losses

Distribution losses in Rand for the period 2014-2015	2015	2014
Units purchased during the year	22,723,108	23,148,050
Units sold during the year	(5,586,737)	(16,866,839)
	17,136,371	**6,281,211**

Distribution losses in Rand for the period 2014-2015	2015	2014
Purchases	26,759,723	20,811,676
Own use	(60,668)	(52,362)
Prepaid consumer sold	5,740,242	(4,872,865)
Conventional consumer billed	10,647,005	(10,239,630)
	43,086,302	**5,646,819**

42. Unauthorised expenditure

	2015	2014
Opening Balance	9,596,086	9,596,086
Unauthorized expenditure incurred in the current year	9,817,675	-
	19,413,761	**9,596,086**

Unauthorised expenditure incurred in the current year is made up of the following:

- R 216 075.18 over expenditure on purchasing of vehicles for council and speaker

- R 7 762 746 over expenditure on depreciation resulting from the asset register

- R 1 838 854 over expenditure on electricity purchases

Figures in Rand	2015	2014

43. Fruitless and wasteful expenditure

Opening Balance	1,218,132	787,528
Fruitless and wasteful expenditure incurred in the current year	110,898	430,604
	1,329,030	**1,218,132**

Details of fruitless and wasteful expenditure incurred in the current year.		
Interest on late payments and penalties for exceeding prescribed usage limit-Eskom	97,485	177,152
Interest and penalties for late payments-SARS	-	200,421
Interest and penalties for late payment-Auditor General	13,413	43,276
Interest on late payment -Telkom	-	9,995
	110,898	**430,844**

The were no disciplinary actions taken against the municipality.

44. Irregular expenditure

Opening balance	3,554,295	5,285,393
Add: Irregular Expenditure - current year	127,132	6,979,108
Less: Amounts written off by council	-	(8,710,206)
	3,681,427	**3,554,295**

Irregular expenditure for the current year R 526 690, which is awaiting consideration by council for a possible write off. An amount of R 8 710 206 was written off by council for the 2013/2014 financial year.

Figures in Rand		2015	2014

44. Irregular expenditure (continued)

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings		
This was a payment for officials who had attended training and payment had not been made. The municipality was now being sued and therefore the payment was made to the attorneys.	Submitted to council for consideration	24,282	
Request for three quotations not obtained without approved deviation	Submitted to council for consideration	10,860	
The total payments made under the quotation did exceed the original quoted amount.	Submitted to council for consideration	44,250	
Through inspection of the payment voucher, it was noted that the request for quotations was not issued. As a result the municipality has managed to obtain three quotations without advertisement and approved deviation was obtained. Per inspection of the approved deviation, we noted that the reasons not to issue out a request for quotations do not appear reasonable/ justified on the basis that it was impossible/impractical to issue out a request for quotations as this is as a result of poor planning by the section requiring the service under the following reasons(i.e The appointment letters of the employees requiring the service were issued on the 11 July 2014 which constitute sixteen working days of procurement.The requisition for the service to be procured was submitted to the supply chain management on 22 july 2014 and accommodation was required as at 03 august 2014 of which that was nine working days for the procurement). Therefore, as a result of the incident the municipality has not evaluated quotations obtained in accordance with the Preferential Procurement Policy Framework Act and this constitute irregular expenditure being incurred by municipality in this regard.	Submitted to council for consideration	47,740	
		127,132	

Deviations from supply chain management regulations

-

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the Treasury Supply Chain Regulations states that the accounting officer may dispense with the official procurement processes in certain circumstances, provided he records the reasons for any deviations and reports them to the next meeting of the council and include a note to the annual financial statements.

Goods and services amounting to R 2 045 932.54 were procured during the financial year under review and the process followed in procuring those goods deviated from the proisions of paragraph 12(1)(d)(i) as stated above. The reasons for the deviations were documented and reported to the accounting officer who considered them and subsequently reported to council for approval of the deviations from normal supply chain management regulations. The council decision is still pending.

Figures in Rand	2015	2014

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2015	2014
Current year subscription / fee	804,505	461,646
Amount paid - current year	(804,505)	(461,646)
	-	-

Audit fees

	2015	2014
Current year subscription / fee	4,205,445	3,467,841
Amount paid - current year	(4,205,445)	(3,467,841)
	-	-

PAYE and UIF

	2015	2014
Current year subscription / fee	6,522,237	11,446,035
Amount paid - current year	(6,522,237)	(11,446,035)
	-	-

Pension and Medical Aid Deductions

	2015	2014
Current year subscription / fee	5,495,954	5,285,426
Amount paid - current year	(5,495,954)	(5,285,426)
	-	-

Skills Development Levy

	2015	2014
Current year subscription	375,800	30,686
Amount paid-current year	(375,800)	(30,686)
	-	-

VAT

	2015	2014
VAT receivable	11,387,165	4,960,091

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

There were no Councillors that had arrear accounts in the 2015 financial period:

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mhlelembana N	792	9,852	10,644
Kwelemtini N	101	64	165
	893	**9,916**	**10,809**

MBIZANA LOCAL MUNICIPALITY

APPENDIX E

APPROPRIATION STATEMENT

AS AT 30 JUNE 2015

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Final Adjustments Budget	Shifting of funds (i.t.o s31 of the MFMA)	Virement (i.t.o. Council Approved By-law)	Final Budget	Actual Income	Unauthorised Expenditure	Variance	Actual outcome As % Of Final Budget	Actual Outcome As % Of Original Budget
	1	2	3	4	5	6	7	8	9	10	11
	R	R			R	R	R	R	R	R	R
Financial Performance											
Property Rates	15 000 000.00	-	15 000 000.00	-	-	15 000 000.00	15 554 208.00	-	-554 208.00	104%	104%
Service Charges	34 538 776.00	-12 615 643.00	21 923 133.00	-	-	21 923 133.00	19 094 994.00	-	2 828 139.00	87%	55%
Investment Revenue	5 026 268.00	2 000 000.00	7 026 268.00	-	-	7 026 268.00	8 587 489.00	-	-1 561 221.00	122%	171%
Transfers Recognised - Operational	151 396 600.00	3 290 200.00	154 686 800.00	-	-	154 686 800.00	151 643 521.00	-	3 043 279.00	98%	100%
Other Own Revenue	101 535 534.00	37 543 772.00	139 079 306.00	-	-	139 079 306.00	4 389 178.00	-	134 690 128.00	3%	4%
Total Revenue (Excluding Capital Transfers & Contributions)	**307 497 176.00**	**30 218 329.00**	**337 715 507.00**			**337 715 507.00**	**199 269 390.00**		**138 446 117.00**	**4.14**	**434%**
Employee Costs	73 042 316.00	-6 764 739.00	66 277 577.00	-	-	66 277 577.00	59 408 286.00	-	6 869 291.00	90%	81%
Remuneration Of Councillors	18 466 288.00	-	18 466 288.00	-	-	18 466 288.00	17 895 440.00	-	570 848.00	97%	97%
Debt Impairment	4 035 962.00	-	4 035 962.00	-	-	4 035 962.00	2 574 736.00	-	1 461 226.00	64%	64%
Depreciation & Asset Impairment	30 067 523.00	-	30 067 523.00	-	-	30 067 523.00	37 830 269.00	-7 762 746.00	-7 762 746.00	126%	126%
Finance Charges	1 350 000.00	-	1 350 000.00	-	-	1 350 000.00	455 946.00		894 054.00	34%	34%
Materials & Bulk Purchases	22 152 300.00	-1 681 612.00	20 470 688.00	-	-	20 470 688.00	22 309 542.00	-1 838 854.00	-1 838 854.00	109%	101%
Transfers & Grants	3 500 000.00	-	3 500 000.00	-	-	3 500 000.00	2 140 815.00		1 359 185.00	61%	61%
Other Expenditures	255 918 244.00	38 980 507.00	294 898 751.00	-	-	294 898 751.00	95 895 595.00		199 003 156.00	33%	37%
Total Expenditure	**408 532 633.00**	**30 534 156.00**	**439 066 789.00**	-	-	**439 066 789.00**	**238 510 629.00**	**-9 601 600.00**	**200 556 160.00**	**613%**	**601%**
Surplus/(Deficit)	**-101 035 455.00**	**-315 827.00**	**-101 351 282.00**	-	-	**-101 351 282.00**	**-39 241 239.00**	**9 601 600.00**	**-62 110 043.00**	**-198%**	**-167%**
Gain / Loss on sale of assets							-373 757.00				0%
Gain / Loss on fair value adjustment										0%	0%
Transfers recognised - Capital	67 142 400.00	315 827.00	67 247 868.00	-	-	67 247 868.00	67 644 022.00	-396 154.00	-396 154.00	101%	101%
Contributions recognised - Capital and contributed assets	-	-				-					
Surplus/(Deficit) After Capital Transfers & Contributions	**-33 893 055.00**	-	**-34 103 414.00**	-	-	**-34 103 414.00**	**28 029 026.00**	**9 205 446.00**	**-62 132 440.00**	**-198%**	**-167%**
Share Of Surplus/(Deficit) Of Associate	-	-				-					
Surplus/Deficit For The Year	**-33 893 055.00**	-	**-34 103 414.00**	-	-	**-34 103 414.00**	**28 029 026.00**	**9 205 446.00**	**-62 132 440.00**	**-198%**	**-167%**
Capital Expenditure & Funds Sources											
Total Capital Expenditure	171 421 285.00	15 920 570.00	187 341 855.00			187 341 855.00	123 879 928.00		63 461 927.00		
Sources of capital funds											
Transfers Recognised - Capital	67 142 400.00	105 468.00	67 247 868.00	-	-	67 247 868.00	67 644 022.00	-	-396 154.00	101%	101%
Public Contributions & Donations										0%	0%
Borrowing	45 000 000.00	-	45 000 000.00	-	-	45 000 000.00	8 983 084.00	-	36 016 916.00	20%	20%
Internally Generated Funds	59 278 885.00	15 815 102.00	75 093 987.00	-	-	75 093 987.00	47 252 822.00	-	27 841 165.00	63%	80%
Total Sources Of Capital Funds	**171 421 285.00**	**15 920 570.00**	**187 341 855.00**	-	-	**187 341 855.00**	**123 879 928.00**	-	**63 461 927.00**	**1.83**	**2.00**
Cash flows											
Net Cash From (Used) Operating	71 031 511.00	-27 288 754.00	43 742 757.00	-	-	43 742 757.00	72 090 076.00	-	-28 347 319.00	165%	101%
Net Cash From (Used) Investing	-171 421 285.00	-15 920 570.00	-187 341 855.00	-	-	-187 341 855.00	-121 390 522.00	-	-65 951 333.00	65%	71%
Net Cash From (Used) Financing	45 000 000.00	-	45 000 000.00	-	-	45 000 000.00	8 983 084.00	-	36 016 916.00	0%	20%
Net increase/decrease in Cash and Cash Equivalents	**-55 389 774.00**	**-43 209 324.00**	**-98 599 098.00**	-	-	**-98 599 098.00**	**-40 317 362.00**	-	**-58 281 736.00**	**2.30**	**1.92**
Cash and Cash equivalents at at beginning of year	118 813 581.00	43 209 324.00	-118 813 581.00			-118 813 581.00	126 152 442.00				
Cash and cash equivalents at year end	63 423 807.00		20 214 483.00			20 214 483.00	85 835 080.00	-	-65 620 597.00		

APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2015

	Cost / Revaluation							Accumulated Depreciation							
	Opening Balance	Additions	Disposals	Under Construction/ Transfers	Revaluations	Other Changes, movements	Closing Balance	Opening Balance	Depreciation/Amortisation	Disposals	Impairment loss/Reversal of impairment loss	Transfers	other changes, movements	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Land	4 414 344.66	3 088 304.00	-	-	-	-	7 502 648.66	-	85 880.23	-	-	-	-	98 447.25	7 404 201.41
Land	4 219 550.00	-	-	-			4 219 550.00	-	-	-	-			-	4 219 550.00
Landfill Sites	194 794.66	3 088 304.00	-	-			3 283 098.66		85 880.23	-	-			98 447.25	3 184 651.41
	-	-	-	-			-	-	-	-	-			-	-
Investment property	6 355 900.00	-	-	-	-	-	6 355 900.00	-	-	-	-	-	-	-	6 355 900.00
Buildings	24 515 107.00	13 043 281.46					37 558 388.46		207 538.06					553 229.46	37 005 159.00
Infrastructure	419 928 661.09	97 097 887.75	-	-	-	-	517 026 548.84	-	4 716 837.40	-	-	-	-	4 716 837.40	474 188 720.96
Roads	372 208 751.17	18 785 908.67					390 994 659.84		4 375 056.67					33 144 877.82	357 849 782.02
Electricity	10 992 760.68						10 992 760.68		341 780.73					341 780.73	10 650 979.95
Working in progress	36 727 149.24	78 311 979.08					115 039 128.32					(9 351 169)		-9 351 169.33	105 687 958.99
Community Assets	47 860 024.51	3 570 963.26					51 430 987.77		55 340.38					1 802 444.28	49 628 543.49
Grand Total	503 074 037.26	116 800 436.47	-	-	-	-	619 874 473.73	-	5 065 596.67	-	-	9 351 169.33	-	7 170 958.39	574 582 524.86

MBIZANA LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2015

	Cost / Revaluation							Accumulated Depreciation							
	Opening Balance	Additions	Disposals	Under Construction/ Transfers	Revaluations	Other Changes, movements	Closing Balance	Opening Balance	Depreciation/ Amortisation	Disposals	Impairment loss/Reversal of impairment loss	Transfers	other changes, movements	Closing Balance	Carrying Value
	R	R	R	R			R	R	R	R	R			R	R
Total brought forward	-	-	-	-			-	-	-	-	-			-	
Other Assets															
Furniture & Office Equipment	2 238 699.19	1 530 609.62	(268 686)				3 500 622.39	1 493 337.42	262 411.14	-267 462.42	-1 203.93			1 488 286.13	2 012 336.25
Machinery And Equipment	1 279 885.17	394 844.44	(308 247)				1 366 482.91	653 965.39	217 343.00	-271 851.40	-58.13			599 457.00	767 025.91
Computer Equipment	2 623 412.59	549 986.67	(478 248)				2 695 151.60	1 134 061.08	540 512.03	-421 798.64	-2 534.63			1 252 774.47	1 444 911.76
Solid Waste Disposal	295 536.72	105 180.00	(25 308)				375 408.60	1 134 061.08	38 250.64	-21 151.20	-29 465.04			89 996.61	284 821.11
Transport Assets	4 869 490.70	4 498 869.92	(1 516 124)				7 852 236.28	1 334 260.25	381 170.32	-880 251.42	-			835 179.15	7 017 057.12
Plant and Machinery	8 260 099.49	-	(506 214)				7 753 885.15	2 108 052.00	5 240.67	-262 244.12	-			2 290 341.17	5 463 543.99
Intagible Assets	15 722.00	-	(15 722)				-	10 452.62		-15 722.00	-			-28.72	-0.00
	19 582 845.86	7 079 490.65	-3 118 549.58	-	-	-	23 543 786.93	7 868 189.85	1 444 927.81	-2 140 481.21	-33 261.73	-	-	6 556 007.82	16 989 696.14
Finance Lease Assets															
Office Equipment															
Other Assets	-	-	-	-			-	-	-	-	-			-	
	-	-	-	-			-	-	-	-	-			-	
Total	-	-	-	-			-	-	-	-	-			-	

MBIZANA LOCAL MUNICIPALITY

APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2015

PRIOR YEAR				CURRENT YEAR		
2014	2014	2014		2015	2015	2015
Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R		R	R	R
280 500	47 518 860	(47 238 360)	Executive & Council	-	50 866 202	(50 866 202)
149 869 220	45 165 476	104 703 744	Finance & Admin	172 729 077	89 105 286	83 623 791
659 670	5 828 316	(5 168 646)	Planning & Development	350 801	10 272 691	(9 921 890)
-	-	-	Health	-	-	-
224 079	9 696 682	(9 472 603)	Community & Social Services	347 900	12 771 321	(12 423 421)
322 883	120 596	202 287	Housing	-		-
152 800	1 444 566	(1 291 766)	Public Safety	686 010	2 925 754	(2 239 744)
-	98 839	(98 839)	Sport & Recreation	-	72 768	(72 768)
-	29 750	(29 750)	Environmental Protection	-	1 065 382	(1 065 382)
2 282 673	11 539 520	(9 256 847)	Waste Management	2 053 538	9 311 991	(7 258 453)
1 756 005	(64 093)	1 820 098	Road Transport	47 706 074	13 695 594	34 010 480
-	-	-	Water	-		-
35 855 051	52 336 714	(16 481 663)	Electricity	43 040 012	48 797 397	(5 757 385)
44 242 149	9 821 515	34 420 634	Engineering			-
	-	-	Other			
235 645 030	183 536 741	52 108 289		266 913 412	238 884 386	28 029 026
			Other Charges			
235 645 030	183 536 741	52 108 289	**Total**	266 913 412	238 884 386	28 029 026

MBIZANA LOCAL MUNICIPALITY

APPENDIX E (1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2015

AS AT 30 JUNE 2015

Description	Final Budget	Actual Amount	Variance	% Variance	Explanation of significant variances greater than 10% versus budget
	R	R	R	R	R
REVENUE					
Property rates	15 000 000.00	15 554 208.00	554 208.00	3.69	
Service charges - refuse and electricity	21 911 939.00	19 094 994.00	-2 816 945.00	-12.86	Electricty losses
Fines	1 327 400.00	1 270 526.00	-56 874.00	-4.28	
Licences and permits	2 333 303.00	1 823 312.00	-509 991.00	-21.86	Testing station that was meant to function fully this year did not
Government grants and subsidies	221 934 668.00	219 287 543.00	-2 647 125.00	-1.19	
Rental of facilities and equipments	779 107.00	608 943.00	-170 164.00	-21.84	
Recoveries	-	-	-	-	
Other income	134 533 348.00	686 397.00	-133 846 951.00	-99.49	Budget had a balancing figure from the reserves that was freed to fund infrastructure pro
Interest income	7 143 610.00	8 587 489.00	1 443 879.00	20.21	
Total Revenue	404 963 375.00	266 913 412.00	-138 049 963.00	-34.09	
EXPENDITURE					
Personnel	66 277 577.00	59 408 286.00	-6 869 291.00	-10.36	
Remuneration of Councillors	18 466 288.00	17 895 440.00	-570 848.00	-3.09	
Depreciation and amortisation	30 067 523.00	37 830 269.00	7 762 746.00	25.82	Review of the asset register resulted in an increased depreciated than the data used to t
Bad debt impaiment	4 035 962.00	2 574 736.00	-1 461 226.00	-36.21	
Repairs and maintenance	29 740 140.00	3 594 979.00	-26 145 161.00	-87.91	
Bulk Purchases	20 470 688.00	22 309 542.00	1 838 854.00	8.98	Demand for electricity during the year was too high compared to budget data used and tl
Grant related expenditure	76 683 668.00	17 804 716.00	-58 878 952.00	-76.78	
Interest and Penalties	1 350 000.00	455 946.00	-894 054.00	-66.23	
General expenses	191 974 943.00	77 010 472.00	-114 964 471.00	-59.89	
Total expenditure	439 066 789.00	238 884 386.00	-200 182 403.00		
Fair value loss/gain					
SURPLUS / (DEFICIT) FOR THE YEAR	-34 103 414.00	28 029 026.00	62 132 440.00		

MBIZANA LOCAL MUNICIPALITY

APPENDIX E (2)
Budget Analysis of Capital Expenditure
AS AT 30 JUNE 2015

Description	Final Budget	Additions	Variance	% Variance	Explanation of significant variances greater than 10% versus budget
	R	R	R	R	R
Executive & Council	1 000 000.00	1 216 075.18	216 075.18	21.61	The prices of the vehicles that were purchased came back more than the budgeted amo
Finance & Admin	6 483 915.00	4 894 970.71	-1 588 944.29	-24.51	
Planning & Development	2 163 500.00	2 163 500.00	-	-	
Health			-	-	
Community & Social Services	2 188 517.00	31 044.21	-2 157 472.79	-98.58	
Housing			-	-	
Public Safety	2 796 742.00	436 864.76	-2 359 877.24	-84.38	
Sport & Recreation			-	-	
Environmental Protection			-	-	
Waste Management	1 897 200.00	1 911 672.00	14 472.00	0.76	
Road Transport	84 111 981.00	75 104 760.53	-9 007 220.47	-10.71	
Water			-	-	
Electricity	86 700 000.00	39 337 115.79	-47 362 884.21	-54.63	
Other			-	-	
Total	**187 341 855.00**	**123 879 928.00**	**-62 461 927.00**	**-33.34**	
Other Charges					
	-	-	-	-	
Total Capital Expenditure	**187 341 855.00**	**123 879 928.00**	**-62 461 927.00**		

MBIZANA LOCAL MUNICIPALITY

APPENDIX F
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 0F 2003
for the year ended 30 June 2015

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and subsidies delayed/withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June		Yes / No	
Equitable Share	National Treasury	57 494 000 00	47 710 000 00	39 340 000 00	-	43 916 728 00	45 384 464 00	39 469 727.00	16 480 081.00	-	707 000 00	-	-	Declined Roll-over	Yes	
MIG Grant	National Treasury	10 000 000 00	12 999 000 00	21 993 000 00	-	9 446 177.00	9 541 684 00	14 079 065 00	12 223 707.00	-	-	-	-	Not applicable	Yes	
MSIG	National Treasury	934 000 00	-	-	-	89 800.00	-	90 410 00	709 499 00	-	-	-	-	Not applicable	Yes	
FMG	National Treasury	1 600 000.00	-	-	-	181 895 00	738 783 00	266 230.00	420 342.00	-	-	-	-	Not applicable	Yes	
LED Capacity Grant	Provincial Grant	-	-	-	-	-	-	-	9 090 00	-	-	-	-	Not applicable	Yes	
LED Strategy Grant	Provincial Grant	-	-	-	-	-	-	-	-	-	-	-	-	Not applicable	Yes	
Sports Arts and Culture Grant	Provincial Grant	-	250 000 00	-		11 500 00	92 500 00	21 316.90	178 000 00	-	-	-	-	Not applicable	Yes	
Expended Public Works Programme (EPWF	National Treasury	400 000 00	300 000 00	300 000 00	-	310 165 00	398 845 00	290 990 00	-	-	-	-	-	Not applicable	Yes	
Spertial Development Framework	Alfred Nzo District Municipality	-	-	-	-	-	142 500 00	-	127 217.00	-	-	-	-	Not applicable	Yes	
IEC	Provincial Grant	-	-	-	-	-	-	-	-	-	-	-	-	Not applicable	Yes	
IDP	Alfred Nzo District Municipality	-	150 000 00	-	-	-	-	-	-	-	-	-	-	Not applicable	Yes	
Intergrated Electrification	National Treasury	-	20 400 000.00	4 000 000 00	-	2 628 656.00	2 186 874 00	10 449 569 00	9 154 530 00	-	-	-	-	Not applicable	Yes	
LED: Beleni Capentry	Provincial Grant	-	-	-	-	-	-	-	-	-	-	-	-	Not applicable	Yes	
DHLTA-Fraud Prevention Plan		-	-	-	-	-	-	-	-	-	-	-	-	Not applicable	Yes	
EXT2 Residence		-	-	-	-	-	-	-	-	-	-	-	-	Not applicable	Yes	
Municipal Support Grant		-	-	-	-	-	-	-	-	-	-	-	-	Not applicable	Yes	
DEDEAT Alien Plant Vegetation Grant	Provincial Grant	-	3 290 000 00						-	-	-	-	-	Not applicable	Yes	
Total Grants and Subsidies Received		70 428 000	85 099 000	65 633 000	0	56 585 121	58 465 650	64 667 308	39 302 466	0	707 000	0	0			

(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?

MBIZANA LOCAL MUNICIPALITY

APPENDIX G (1)

Budgeted Financial Performance (revenue and expenditure by standard classification)

30-Jun-15

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Final Adjustments Budget	Shifting of funds (i.t.o s31 of the MFMA)	Virement (i.t.o. Council Approved By-law)	Final Budget	Actual Income	Unauthorised Expenditure	Variance	Actual outcome As % Of Final Budget	Actual Outcome As % Of Original Budget
	1	2	3	4	5	6	7	8	9	10	11
	R	R			R	R	R	R	R	R	R
REVENUE BY SOURCES											
Governance and Administration:										0%	0%
Council									-	0%	0%
Mayor									-	0%	0%
Municipal Manager									-	0%	0%
Speaker									-	0%	0%
Budget and Treasury	219 387 070.00	38 653 773.00	258 040 843.00	-	-	258 040 843.00	172 534 455.00		85 506 388.00	67%	79%
Corporate Services	366 631.00	30 000.00	396 631.00	-	-	396 631.00	194 622.00		202 009.00	49%	53%
		-	-	-	-				-	0%	0%
Community and Public safety:		-	-	-	-				-	0%	0%
Community Development	3 491 130.00	3 290 200.00	6 781 330.00	-	-	6 781 330.00	2 857 802.00		3 923 528.00	42%	82%
		-	-	-	-				-	0%	0%
Economic and Environmental Services:		-	-	-	-				-	0%	0%
Development and planning	196 800.00	-	196 800.00	-	-	196 800.00	310 637.00	-113 837.00	-113 837.00	158%	158%
Roads Works and Engineering	46 094 545.00	105 468.00	46 200 013.00	-	-	46 200 013.00	45 922 346.00		277 667.00	99%	100%
		-	-	-	-				-	0%	0%
Trading Services:		-	-	-	-				-	0%	0%
Refuse removal and cemetry	2 200 000.00	-	2 200 000.00	-	-	2 200 000.00	2 053 538.00		146 462.00	93%	93%
Electricity	102 903 402.00	-11 755 643.00	91 147 759.00	-	-	91 147 759.00	43 040 012.00		48 107 747.00	47%	42%
	374 639 578.00	30 323 798.00	404 963 376.00	-	-	404 963 376.00	266 913 412.00	-113 837.00	138 049 964.00	66%	71%
EXPENDITURE											
Governance and Administration:											
Council	23 247 288.00	60 000.00	23 307 288.00	-	-	23 307 288.00	21 306 596.00		-2 000 692.00	91%	92%
Mayor	3 354 662.00	1 200 000.00	4 554 662.00	-	-	4 554 662.00	4 517 158.00		-37 504.00	99%	135%
Municipal Manager	22 947 175.00	-12 172.00	22 935 003.00	-	-	22 935 003.00	20 197 575.00		-2 737 428.00	88%	88%
Speaker	5 002 700.00	-10 000.00	4 992 700.00	-	-	4 992 700.00	4 844 873.00		-147 827.00	97%	97%
Budget and Treasury	53 864 696.00	6 352 053.00	60 216 749.00	-	-	60 216 749.00	63 318 746.00	3 101 997.00	3 101 997.00	105%	118%
Corporate Services	34 720 278.00	-76 954.00	34 643 324.00	-	-	34 643 324.00	25 785 987.00		-8 857 337.00	74%	74%
										0%	0%
Community and Public safety:										0%	0%
Community Development	26 570 170.00	964 549.00	27 534 719.00	-	-	27 534 719.00	17 601 494.00		-9 933 225.00	64%	66%
										0%	0%
Economic and Environmental Services:										0%	0%
Development and planning	13 290 707.00	-1 483 842.00	11 806 865.00	-	-	11 806 865.00	8 730 437.00		-3 076 428.00	74%	66%
Roads Works and Engineering	100 702 427.00	22 444 076.00	123 146 503.00	-	-	123 146 503.00	15 226 502.00		-107 918 001.00	12%	15%
										0%	0%
Trading Services:										0%	0%
Refuse removal and cemetry	14 891 510.00	-1 411 102.00	13 480 408.00	-	-	13 480 408.00	9 311 991.00		-4 168 417.00	69%	63%
Electricity	109 941 022.00	2 507 617.00	112 448 639.00	-	-	112 448 639.00	48 041 027.00		-64 407 612.00	43%	44%
										0%	-
	408 532 635.00	30 534 225.00	439 066 860.00	-	-	439 066 860.00	238 884 386.00	3 101 997.00	-200 182 474.00	54%	58%
Surplus/deficit	-33 893 057.00	-210 427.00	-34 103 484.00	-	-	-34 103 484.00	28 029 026.00	-3 215 834.00	-62 132 510.00		

Notes to the user:

Column 1: First budget for the year

Column 3: May only be populated if the municipality has a virement policy approved by the council. Virements must offset each other so that the total equals nil

Column 4: = 1 + (2 - 1) + 3

Column 6: Does not necessarily equal the difference between column 5 and 4 because overspending is not the only reason for unauthorised expenditure

Column 7: = 5 - 4

Column 8: = (5 / 4) * 100

Column 9: (5 / 1) *100

A municipality may include narrative reasons for variances as part of the notes tot his statement. The municipality may also refer the user to other public documentation containing such explanations.

MBIZANA LOCAL MUNICIPALITY

APPENDIX G (2)
Budgeted Financial Performance (revenue and expenditure by municipal vote)
AS AT 30 JUNE 2015

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Final Adjustments Budget	Shifting of funds (i.t.o s31 of the MFMA)	Virement (i.t.o. Council Approved By-law)	Final Budget	Actual Income	Unauthorised Expenditure	Variance	Actual outcome As % Of Final Budget	Actual Outcome As % Of Original Budget
	1	2	3	4	5	6	7	8	9	10	11
	R	R			R	R	R	R	R	R	R
REVENUE BY VOTE											
Council	-	-	-			-			-	0%	0%
Mayor	-	-	-			-			-	0%	0%
Municipal Manager	-	-	-			-			-	0%	0%
Speaker	-	-	-			-			-	0%	0%
Budget and Treasury	219 387 070.00	38 653 773.00	258 040 843.00	-	-	258 040 843.00	172 534 455.00	-	85 506 388.00	67%	79%
Corporate Services	366 631.00	30 000.00	396 631.00	-	-	396 631.00	194 622.00	-	202 009.00	49%	53%
Development and planning	196 800.00	-	196 800.00	-	-	196 800.00	310 637.00	-113 837.00	-113 837.00	158%	158%
Community development	3 491 130.00	3 290 200.00	6 781 330.00	-	-	6 781 330.00	2 857 802.00	-	3 923 528.00	42%	82%
Refuse removal and cemetry	2 200 000.00	-	2 200 000.00	-	-	2 200 000.00	2 053 538.00	-	146 462.00	93%	93%
Infrastructure and Planning	46 094 545.00	105 468.00	46 200 013.00	-	-	46 200 013.00	45 922 346.00	-	277 667.00	99%	100%
Electricity	102 903 402.00	-11 755 643.00	91 147 759.00	-	-	91 147 759.00	43 040 012.00	-	48 107 747.00	47%	42%
								-		0%	0%
Total Revenue by vote	374 639 578.00	30 323 798.00	404 963 376.00			404 963 376.00	266 913 412.00	-113 837.00	138 049 964.00	66%	71%
EXPENDITURE by vote											
Council	23 247 288.00	60 000.00	23 307 288.00	-	-	23 307 288.00	21 306 596.00		2 000 692.00	91%	92%
Mayor	3 354 662.00	1 200 000.00	4 554 662.00	-	-	4 554 662.00	4 517 158.00		37 504.00	99%	135%
Municipal Manager	22 947 175.00	-12 172.00	22 935 003.00	-	-	22 935 003.00	20 197 575.00		2 737 428.00	88%	88%
Speaker	5 002 700.00	-10 000.00	4 992 700.00	-	-	4 992 700.00	4 844 873.00		147 827.00	97%	97%
Budget and Treasury	53 864 696.00	6 352 053.00	60 216 749.00	-	-	60 216 749.00	63 318 746.00	-3 101 997.00	-3 101 997.00	105%	118%
Corporate Services	34 720 278.00	-76 954.00	34 643 324.00	-	-	34 643 324.00	25 785 987.00		8 857 337.00	74%	74%
Development and planning	13 290 707.00	-1 483 842.00	11 806 865.00	-	-	11 806 865.00	8 730 437.00		3 076 428.00	74%	66%
Community development	26 570 170.00	964 549.00	27 534 719.00	-	-	27 534 719.00	17 601 494.00		9 933 225.00	64%	66%
Refuse removal and cemetry	14 891 510.00	-1 411 102.00	13 480 408.00	-	-	13 480 408.00	9 311 991.00		4 168 417.00	69%	63%
Infrastructure and Planning	100 702 427.00	22 444 076.00	123 146 503.00	-	-	123 146 503.00	15 228 502.00		107 918 001.00	12%	15%
Electricity	109 941 022.00	2 507 617.00	112 448 639.00	-	-	112 448 639.00	48 041 027.00		64 407 612.00	43%	44%
Total Expenditure by vote	408 532 635.00	30 534 225.00	439 066 860.00			439 066 860.00	238 884 386.00	-3 101 997.00	200 182 474.00	54%	58%
Surplus/deficit	-33 893 057.00	-210 427.00	-34 103 484.00	-	-	-34 103 484.00	28 029 026.00	2 988 160.00	-62 132 510.00		